Town of Little Elm, Texas

Comprehensive Annual Financial Report

For Year Ended September 30, 2017

The Town With A Lake Attitude

Town of Little Elm
Who We Are

Our *organizational culture centers on servant leadership and we believe that service to others is more important than our individual needs. We are a values driven organization that incorporates the values of integrity, customer service, efficiency, and innovation in everything that we do. We promote a fun, optimistic, and fulfilling work environment that contains an energy where team members are excited to come to work and serve the community.*

We *also believe the high service levels we provide are a reflection of the employees who work for the organization. We empower our team members and are committed to an environment where employees at all levels can use their judgment to fulfill the service needs of the community.*

We *are honest, loyal, trustworthy, transparent, fair and open minded, and have a culture of accountability. We keep our word and admit our mistakes. We stand up for what is right even in the face of a challenge, and do what is right, even if no one notices.*

We *expect a team oriented atmosphere where departmental lines and job descriptions are merely a guide. Our employees engage in an environment of cooperation and focus on getting the job done. We believe that success is shared and that praise is important. Our employees should be motivated and competent individuals who are held to high standards and put tremendous effort in achieving success.*

We *place a great amount of importance on the interaction with our customers. We are respectful, positive, accessible and approachable, responsive, and empathetic. We openly communicate and give our full attention. We focus on being able to assist internal and external customers, not simply accommodate them. Whether the answer involves going the extra mile or sometimes even delivering bad news, we are friendly, courteous, patient, humble and professional.*

We *recognize that we are entrusted with resources ultimately owned by the community, and as stewards of those, are committed to use the minimum resources required to realize the maximum result. We will find the shortest path on a route or in a process, and operate without waste, improper use of taxpayer dollars, and without compromising quality. We believe in a streamlined process that eliminates red tape wherever possible.*

We *promote reasonable risk taking in the name of innovation. We have a willingness to grow, to explore new ideas, to challenge the status quo, to constantly seek opportunities to improve and streamline efforts. We are open to change though we do not seek change unnecessarily. We allow the freedom to try new things, and recognize that through creativity, teamwork, discipline, and hard work, we will build a stronger, healthier Town together. We are a learning organization, always developing our employees and committing ourselves to excellence.*

Finally, *we will be an organization that sets an example to others for how a municipal service organization should operate. We have a standard of excellence and we focus on the character of our team members. We realize that it is an honor and a privilege to serve the public and we are proud to represent the Town of Little Elm.*

Town of Little Elm, Texas

Comprehensive Annual Financial Report

LITTLE ELM

Fiscal Year Ended

September 30, 2017

AS PREPARED BY THE FINANCE DEPARTMENT

Karla Stovall, CPM, CGFO—Chief Financial Officer

Dianne Lawson, CGFO—Asst. Director of Finance

Robin N. Bromiley, CGFO—Controller

Crystal Williamson

Sheryl Champlin

Shelly Newell

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Town of Little Elm, Texas

Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2017
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Introductory Section

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LITTLE ELM

Finance Department
Town of Little Elm

February 20, 2018

Honorable Mayor, Members of Town Council and
Citizens of Little Elm:

The Town of Little Elm Finance Department is pleased to submit the Comprehensive Annual Financial Report for the fiscal year ending September 30, 2017. Provided herein is a complete set of financial statements in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The purpose of this report is to provide council, management, staff, the public and other interested parties with detailed information regarding the Town's financial condition. State Law requires that every general purpose local government publish, within six months of the close of fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2017.

This report consists of management's representations concerning the finances of the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

Also included in this report is an unmodified ("clean") opinion on the Town of Little Elm's financial statements for the year ended September 30, 2017 issued by Weaver, L.L.P. The independent auditors' report is located in the beginning of the financial section of the CAFR.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal.

TOWN PROFILE

Little Elm had its humble beginnings as part of the Peters Colony settlement and was chartered in 1841 as part of the Republic of Texas. By 1900, Little Elm had a population of 194 residents. The Town's first census count was in 1970 and was reported with a population of 363 residents. There has been incredible growth since the 1970's by more recent estimates of over 38,000.

Once a farming community nestled on Lake Lewisville, today, the Town is primarily a bedroom community. The Town is all wet, in the sense that over 66 miles of the Town's corporate town limits are shoreline on Lewisville Lake meaning that almost anywhere you travel in town, neighborhoods have a view of the lake, for which the Town is drawing more attention within the Dallas-Fort Worth metroplex region.

The Town of Little Elm was officially incorporated in 1966 encompassing 1,222 acres and in 2001 adopted the council-manager form of government and its Home Rule Charter. A mayor and six council members are elected on staggered, three-year terms on a non-partisan basis. The Mayor, Place 1, and Place 6 are elected at-large, whereas Place 2, 3, 4, and 5 are elected by district. After a recent Town Charter Amendment election, beginning with the election in May 2020, there are new guidelines for Town Council elections. The Council Member elected in at-large Place 1 shall serve for a term of two (2) years until the election in May, 2022, after which time the Council Member elected in at-large Place 1 shall serve a term of three (3) years from that election going forward. Beginning with the election in May, 2021, the Council Member elected in single member district Place 5 shall serve a term for two (2) years until the election in May, 2023, after which time the Council Member elected in single member district Place 5 shall serve a term of three (3) years from that election going forward.

Under the provisions of the Town Charter, and subject only to the limitations imposed by the Texas Constitution, State Law, and the Town Charter, the Town Council enacts legislation, adopts the annual operating budget, and sets policy. The Town Manager under the oversight of Town Council is responsible for the proper administration of the operations of the Town.

Services Provided

The Town provides a full range of public services. These services include police, fire protection, emergency medical services, construction and maintenance of streets and other infrastructure; recreation services, library services; parks maintenance and public utilities. The Town's utilities include water and sewer, drainage and sanitation services. The Town operates its own sewer treatment facility.

Community Waste Disposal ("CWD") provides solid waste collection; and, the North Texas Municipal Water District ("NTMWD") provides water for the Town on a "take-or-pay" basis. The Town's drainage utility operates to mitigate drainage and environmental hazards and is self-supporting with fees billed monthly to all residential and commercial customers. The Town provides on a contractual basis to areas in its extra-territorial jurisdictions ("ETJ") public safety and construction inspections.

Financial System and Budgetary Controls

Town Council is required to adopt an annual operating budget no later than the beginning of the fiscal year. The process begins with the staff of each department submitting their annual budget requests during workshop. It is during this collaborative workshop setting including the Town Manager, Department Directors, and involved staff, each fund's proposed budget is

balanced to comprise the Town Manager's Proposed Budget to Town Council. The proposed budget receives additional scrutiny by Town Council by holding subsequent workshop sessions. Prior to official adoption of the budget and tax rate by Town Council, any required public hearings on the proposed tax rate and budget are held to allow for public input.

The budget is developed on a departmental level and adopted at the fund level. The level of control at which expenditures may not exceed budget with our Town Council approval is at the fund level. The Town Manager has authority to approve individual departmental budget overages. The budget is amended by ordinance when the budget is exceeded at the fund level or for any that were unforeseen during the regular budget process.

This report includes all funds of the Town including its component units. The Town's component units are legally separate entities for which the Town is financially accountable but are not part of the Town's operations. The Town's discretely presented component units are:

- Little Elm Economic Development Type 4A Sales Tax Corporation (EDC)
- Little Elm Community Development Type 4B Sales Tax Corporation (CDC)

ECONOMIC CONDITIONS AND OUTLOOK

Regional Economy

Little Elm, part of the Dallas/Fort Worth Metroplex, maintains a very strong economy and is ranked as one of the fastest growing cities in the state. Little Elm's population exceeds the state average in education and income, and is increasingly trending younger and technologically proficient. The Town's footprint is just over 21 square miles and boasts some 66 linear miles of lake shoreline within its boundaries. Little Elm is located approximately 10 miles east of the City of Denton and 33 miles north of downtown Dallas on the northeast shore of Lewisville Lake and is the sixth largest municipality in Denton County.

The Town has experienced rapid population growth, increasing from a 2000 U.S. Census population of 3,646, to a 2010 U.S. Census population of 25,898, a 610% increase. The Town's population has grown to an estimated 38,194 in 2017. Including active subdivisions in the ETJ, that figure exceeds 53,000. Little Elm's build-out population is anticipated to be over 90,000.

In fiscal year 2017, 1,064 new residential lots were platted in the Town and ETJ, a decrease from the 1,816 lots in fiscal year 2016. The Town's permitting activity decreased 9% from 1,154 single family units in fiscal year 2016 to 1,047 in fiscal year 2017. The fiscal year 2017 total estimated construction value of new home starts is $386,023,375 with an average home value of $356,110. In fiscal year 2017, total estimated construction value of new multi-family dwellings starts is $27,781,549 with an average building value of $1,157,564 with 24 total permits. There were 37 new commercial businesses added in fiscal year 2017, compared to 45 in fiscal year 2016. Some of these businesses are housed in the 24 new commercial buildings permitted in fiscal year 2017.

LONG-TERM FINANCIAL PLANNNG

Long-Term Financial Planning Process

- **Operations and Maintenance**: Each year the Town prepares a balanced budget, with the involvement of the Town Council, Town Manager, Executive Management Team, finance staff and other employees. Discussions regarding the future of the Town's financial health are a high priority during budget preparation. Fiscal year 2017 was the fourth year for the Town to utilize a multi-year budgeting format. The multi-year budget process takes historical trends, changes in policy and economic conditions (now and projected) into consideration as applicable. The total number of budgeted full-time equivalents (FTE's) is 254.7 for the 2017 budget.

- **Capital Improvement Program**: A major component of the budgeting process every year is the Capital Improvement Program (CIP). Extensive planning takes place throughout the year involving input from the Town Council, Town Boards (Parks Board, Planning and Zoning Board) and the Executive Management Team. The focus of this planning is ongoing funding of current CIP projects, and how the Town will fund currently unfunded CIP projects in the future. During this process, attention is given to the impact the projects will have on the future operations and maintenance costs.

Anticipated Long-Term Financial Impacts

Due to the growth on the 380 corridor, Town Council created four Public Improvement Districts and participates in four Tax Increment Reinvestment Zones ("TIRZ") (#3, #4, #5, and #6). Note 15 to the Financial Statements specifically addresses the creation for each zone and district.

In summary, the Town Council created TIRZ #3 to create an economic engine within the Lakefront district. TIRZ #4 was created in December 2013 for the Valencia on the Lake multi-phase residential development of approximately 447.942 acres. The Town also created the Valencia Public Improvement District ("PID") in September 2013 to finance certain public infrastructure improvements within the development. The Town Council created TIRZ #5 in December 2014 within the Lincoln Park 380 corridor to promote development. TIRZ #5 zone has removed sections and added additional property to create the existing 943.5 acre zone. The Hillstone Pointe PID No. 2 was created in June 2015. It is located at the northern section of TIRZ #5. The Town's third PID, Rudman Tract Public Improvement District was created in October 2016. TIRZ #6 was created in November 2016 to be contiguous with the Rudman Tract to help the area develop. The area encompasses 146.8 acres. The Town on December 20, 2016 created the fourth PID for the Town of Little Elm. This PID is located at the Town's northern border next to Highway 380 and will be identified as Lakeside Estates PID No. 2. A TIRZ was not approved to assist with the development of this project.

Fiscal Year 2017 Highlights, and Future Outlook

The most notable CIP projects closed during fiscal year 2017 include Witt Road improvements, Sunset Point retaining wall, Swim Beach drainage improvement, Recreation Center expansion, Eldorado widening and Lakefront Trail. CIP projects currently underway include Fire Station #3,

423 East Trail, McCord Park Improvements, Harts-Branch Trail, Brent Trail, Dickson Road-Hill Lane Utility Improvements, WWTP expansion and Utility Service Center expansion.

We are continuing to place a great emphasis on Special Events and have planned for growth of Town sponsored events. The events that are planned included Autumn Fest, Pumpkin Hollow/ Haunted Trail, Christmas at the Beach, Big Easy, Brew & Cue Festival, July Jubilee, Big Texas Paddle Fest and a signature beach party.

The year's activities and events provided the citizens of Little Elm with a wide array of recreation, cultural, commercial and infrastructure services that will affect the quality of life in the town and set the stage for changes that will have a lasting impact both on the short-term and long-term future.

The Little Elm Economic Development Corporation continues its work in attracting high quality businesses to Little Elm in order to increase both the tax base and local employment. The Town continues to benefit from other favorable conditions associated with a desirable location for work, destination, and living.

RELEVANT FINANCIAL POLICIES

Accounting System

The diverse nature of governmental operations and the necessity of complying with legal provisions require an accounting system unlike those used by commercial enterprises. Rather than establishing a single unified set of accounts for recording and summarizing all financial transactions, the accounts of the Town are organized on the basis of funds; each of which constitutes a separate accounting entity.

Accounting and Budgetary Controls

The Finance Department assures legal compliance with the budget and provides a check and balance system to maintain a solid assurance that the Town's assets are protected and safeguarded. We believe that the Town's accounting controls provide reasonable assurance that errors or irregularities would be detected within a timely period by employees in the normal course of performing their assigned function.

The Town's accounting records for general governmental operations are maintained on a modified accrual basis with the revenues being recorded when available and measurable, and expenditures being recorded when the goods or services are received and the liabilities are incurred. On the other hand, the Town's Proprietary Funds are maintained on a full accrual basis.

Relevant Financial Policies

The Town has established reserve policies for its' operating funds. The Town will maintain an unassigned fund balance in its General Fund equal to three months or 25% of the regular General Fund operating expenditures. Additionally, The Town will maintain a reserve of near cash and investments in the Water Wastewater Fund equal to two months (60 days) of the total operating revenue. The reserve will be calculated based on total operating revenues from the last audited financial statements of the Water Wastewater Fund.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2016. This was the seventh year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the Town Manager, Mayor and the Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Little Elm's finances.

Respectfully submitted,

Karla Stovall

Karla Stovall, CPM, CGFO
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Little Elm

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

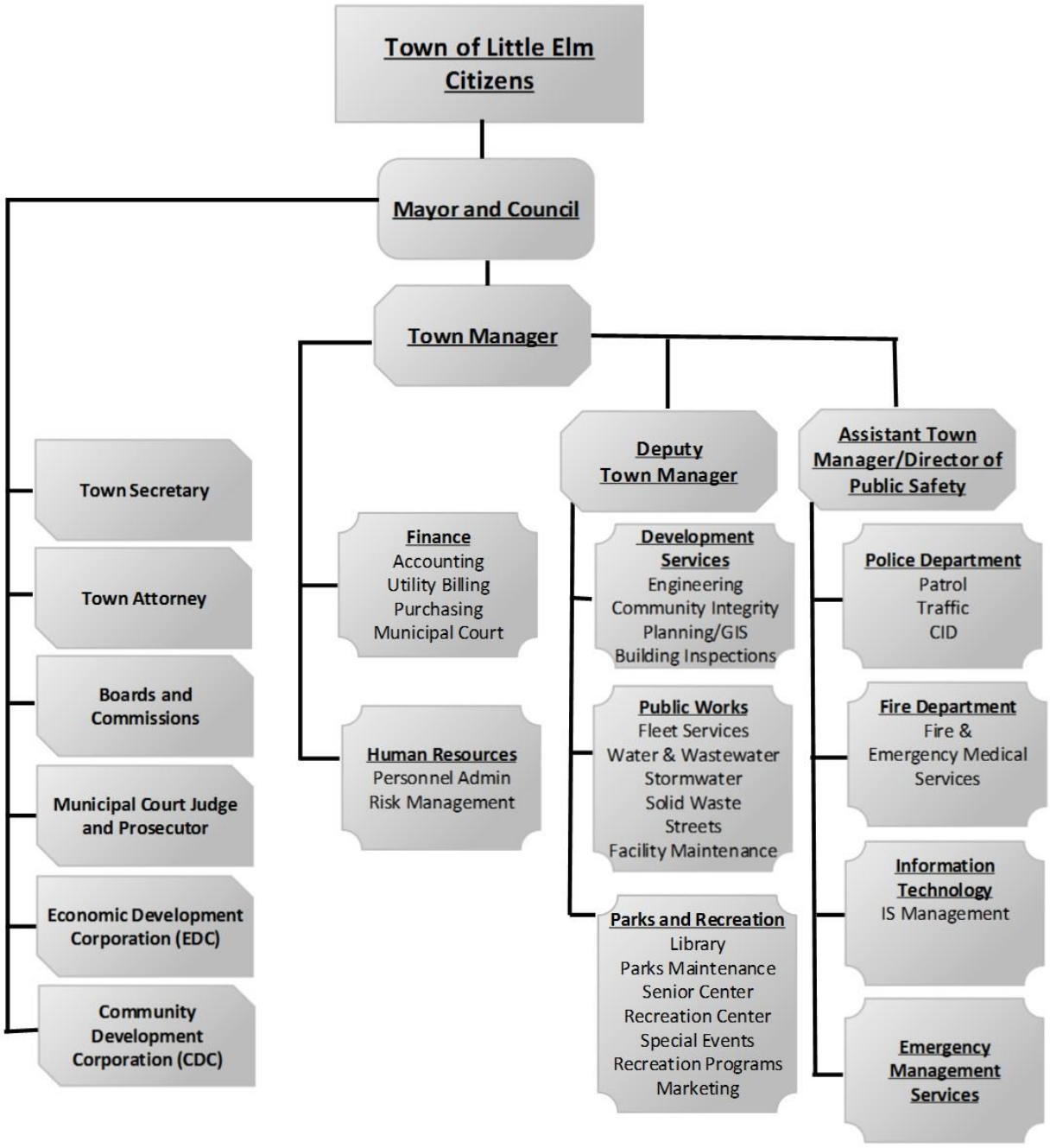
September 30, 2016

Christopher P. Morrill

Executive Director/CEO

LITTLE ELM

TOWN OF LITTLE ELM, TEXAS



TOWN OF LITTLE ELM, TEXAS

Town Officials

Council Members

David Hillock	Mayor
Curtis Cornelious	At Large Place 1
James Dominy	District 2
Neil Blais	Mayor Pro Tem, District 3
Chip Norman	District 4
Nick Musteen	District 5
Stephanie Shoemaker	At Large Place 6

Council Members

Executive Staff

Executive Staff

Matt Mueller	Town Manager
Doug Peach	Deputy Town Manager
Karla Stovall	Chief Financial Officer
Rodney Harrison	Police Chief
Kathy Phillips	Town Secretary
Brian Roach	Fire Chief
Deidre Hale	Director of Human Resources
Joe Florentino	Assistant Town Manager/Director of Public Safety
Kevin Mattingly	Director of Public Works
Chad Hyde	Director of Parks and Recreation
Jason Laumer	Development Services Director/Town Engineer
Jennette Killingsworth	EDC Executive Director

LITTLE ELM

Financial Section

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Independent Auditor's Report

To the Honorable Mayor,
Town Council, and Town Manager
Town of Little Elm, TX

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Little Elm (the Town), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Mayor,
Town of Little Elm, TX

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TMRS pension schedules on pages 5-13, 68-70, and 71-73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Honorable Mayor,
Town of Little Elm, TX

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 15, 2018

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As management of the Town of Little Elm, we offer the reader of the Town's financial statements this narrative overage and analysis of the financial activities of the Town of Little Elm for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report and the financial reports that follow in this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $171,743,562 (net position). Of this amount $20,559,054 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by $18,876,902 during the fiscal year.
- The Town's total amount of outstanding debt is $102,578,023, which is a net increase of $7,983,464 when compared to the prior year. The Town issued $11,830,000 in Certificates of Obligation on January 15, 2017 for the purpose of paying the Town's contractual obligations for improvements and extensions to the Town's Infrastructure. The same day the Town issued $13,645,000 General Obligation Refunding Bonds. Series 2008 and 2009 Certificates of Obligation were legally defeased with the refunding. Details can be found in the notes to the financial statements.
- As of the close of the current fiscal year, the Town of Little Elm's governmental funds reported a combined ending fund balance of $27,670,708, a decrease of $2,242,059 in comparison with the prior year. Within this total, $11,292,937 (41%) is restricted by specific legal requirements, $15,654,490 (57%) is unassigned fund balance, $409,582 (1%) is committed to specific types of expenditures and $313,699 (1%) is nonspendable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Little Elm's basic financial statements. The Town of Little Elm's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broader overview of the Town's finances, in a manner similar to a private-sector business. Two statements, the Statement of Net Position and the Statement of Activities, are utilized to provide this financial overview.

The Statement of Net Position presents information on all the Town's assets and liabilities, and deferred inflows/outflows of resources with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the Town is improving or deteriorating. The statement of net position combines and consolidates governmental and business-type current financial resources with capital assets and long-term obligations. In order to assess the overall health or financial

condition of the Town, other non-financial factors should also be taken into consideration. These include changes in the Town's property tax base and the condition of the Town's infrastructure (i.e., streets, drainage improvements, storm and sewer lines, etc.).

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide statements distinguish between governmental activities and business-type activities. Governmental activities basically account for those activities supported by taxes and intergovernmental revenues. On the other hand, business-type activities are basically supported by user fees and charges. Most Town services are reported in governmental activities while business-type activities are reported in the Enterprise Fund. The governmental activities of the Town include general government, community services, public safety, public works, and culture and recreation. The business-type activities of the Town include water and sewer services and solid waste services.

The government-wide financial statements include not only the Town of Little Elm itself (known as the primary government), but also two discretely presented component units. The Town's sales tax corporations are the Little Elm Economic Development Corporation 4A (LEEDC) and Little Elm Community Development Corporation 4B (LECDC). Although legally separate, these component units operate under the criteria of board appointment and removal by the Town Council. Approval and oversight of capital projects as well as budget appropriations and approval is under the authorization of the Town Council.

Fund financial statements. The Town, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance and the governmental fund statement of revenues, expenditures, and changes in fund balances provide

a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Little Elm maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund and the Valencia capital projects fund, all of which are considered to be major funds. All capital project funds are combined for a single, aggregated presentation. Data from the other non-major funds are also combined and reported in a single column. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The Town maintains two types of proprietary funds: enterprise funds and an internal service fund. Enterprise funds are used to report the same function as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water/sewer and solid waste operations. The internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town of Little Elm uses its internal service fund to account for vehicle and equipment replacements.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Little Elm's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town has one fiduciary fund, the Valencia PID Agency Fund.

Notes to the financial statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found after the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the end of fiscal year 2017, the Town's net position (assets exceeding liabilities) totaled $171,743,562. This analysis focuses on the net position (Table 1) and charges in net position (Table 2).

Net Position. The largest portion of the Town's net position, $141,706,058 or 83% reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these assets

to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

An additional portion of the Town's net position, $9,478,450 or 5%, represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of net position which is $20,559,054 or 12% may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1
Condensed Schedule of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 35,543,325	$ 36,851,207	$ 29,977,377	$ 19,416,739	$ 65,520,702	$ 56,267,946
Capital assets	145,514,730	129,880,707	68,029,252	64,537,724	213,543,982	194,418,431
Total assets	181,058,055	166,731,914	98,006,629	83,954,463	279,064,684	250,686,377
Deferred outflows of resources	2,725,366	2,689,635	1,186,610	614,103	3,911,976	3,303,738
Current liabilities	5,014,072	4,648,742	3,641,003	1,980,779	8,655,075	6,629,521
Noncurrent liabilities	54,228,379	57,078,401	48,349,644	37,516,158	102,578,023	94,594,559
Total liabilities	59,242,451	61,727,143	51,990,647	39,496,937	111,233,098	101,224,080
Net position:						
Net investment in capital	103,484,651	89,811,757	38,221,407	37,228,657	141,706,058	127,040,414
Restricted	7,463,780	4,427,187	2,014,670	1,104,061	9,478,450	5,531,248
Unrestricted	13,592,539	13,455,462	6,966,515	6,738,911	20,559,054	20,194,373
Total net position	$ 124,540,970	$ 107,694,406	$ 47,202,592	$ 45,071,629	$ 171,743,562	$ 152,766,035

Changes in Net Position. The net position of the Town increased by $18,876,902 from the prior year.

Governmental Activities. Governmental activities increased the Town's net position by $16,745,939 from the prior year. This was due in part to an increase in the ad valorem tax revenues, sales tax revenues and charges for services.

Business-type Activities. Net position from business-type activities increased $2,130,963 from the prior year. Increased utility revenues from growth of our customer base are partially responsible for this increase in net position. However, increased water revenue, sewer services and interest revenue also played a role in our increase in the net position since the prior fiscal year.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 10,495,522	$ 9,630,090	$ 17,711,070	$ 16,404,231	$ 28,206,592	$ 26,034,321
Operating grants and contributions	2,486,348	1,888,507	50	-	2,486,398	1,888,507
Capital grants and contributions	8,269,408	15,400,107	1,363,346	2,387,592	9,632,754	17,787,699
General revenues:						
Property taxes	18,817,352	16,001,132	-	-	18,817,352	16,001,132
Sales taxes	4,303,543	4,010,218	-	-	4,303,543	4,010,218
Franchise taxes	2,133,889	2,065,392	114,365	110,588	2,248,254	2,175,980
Investment Income	291,461	222,137	151,282	75,463	442,743	297,600
Other	2,326,196	681,078	42,383	-	2,368,579	681,078
Gain on sale of capital assets	19,709	252,717	21,711	-	41,420	252,717
Total revenues	49,143,428	50,151,378	19,404,207	18,977,874	68,547,635	69,129,252
Expenses:						
General government	7,030,639	12,830,283	-	-	7,030,639	12,830,283
Community service	2,562,510	2,412,674	-	-	2,562,510	2,412,674
Public safety	14,962,540	17,166,375	-	-	14,962,540	17,166,375
Public works	4,620,071	4,894,523	-	-	4,620,071	4,894,523
Culture and recreation	3,813,775	2,838,232	-	-	3,813,775	2,838,232
Interest expense	1,705,104	1,552,317	-	-	1,705,104	1,552,317
Water and sewer services	-	-	13,091,003	12,813,910	13,091,003	12,813,910
Solid waste services	-	-	1,885,091	1,797,240	1,885,091	1,797,240
Total expenses:	34,694,639	41,694,404	14,976,094	14,611,150	49,670,733	56,305,554
Change in net position before transfers	14,448,789	8,456,974	4,428,113	4,366,724	18,876,902	12,823,698
Transfers	2,297,150	2,042,935	(2,297,150)	(2,042,935)	-	-
Change in net position	16,745,939	10,499,909	2,130,963	2,323,789	18,876,902	12,823,698
Net position - beginning	107,795,031	97,194,497	45,071,629	42,747,840	152,866,660	139,942,337
Net position - ending	$ 124,540,970	$ 107,694,406	$ 47,202,592	$ 45,071,629	$ 171,743,562	$ 152,766,035

Government-Wide Financial Analysis

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined fund balances of $27,670,708.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, unassigned fund balance was $15,660,796. The unassigned fund balance of the General Fund increased by $4,632,080 during the current fiscal year. This increase was primarily due to an increase in revenues, particularly revenue from ad valorem property taxes.

The Debt Service Fund had an increase of $293,030 in fund balance. This was due to the increase in ad valorem property tax revenue. These funds are specifically restricted for the payment of debt service. The Capital Projects Fund decreased by $6,875,607 due to the increase in expenditures for capital projects. Valencia Capital Projects Fund decreased by $898,654 due to continued capital expenditures. Other governmental funds' combined fund balances increased by $592,820.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

Net position of the business-type activities at the end of the year was $6,966,515. This represents an increase of $2,130,963. This is largely attributable to increases in water and sewer sales revenue. This year's operating revenue was $17,753,453. This increase of $1,349,222 from last year's operating revenue is primarily attributable to a $1,267,055 increase in water and sewer sales revenue.

General Fund Budgetary Highlights. In FY 2017, the General Fund expenditure budget was increased by $4,056,254 over the 2016 budget. Amendments made during the fiscal year 2017 increased the original revenue budget by $528,081 and increased the expenditure budget by $2,668,183. Amendments were for insurance proceeds, grant awards, and unanticipated expenditures during the year. During the fiscal year the Town analyzes their quarterly financial statements and determines if a budget amendment is reasonable and necessary. All budget amendments receive scrutiny and Town Council approval though an ordinance.

In the General Fund, the actual revenue received in comparison to the final budget was over by $3,004,712. This positive variance is most noticeable in licenses and permits and intergovernmental revenue. General Fund expenditures had a final budget to actual variance of $2,919,518 prior to other financing sources/uses. The savings are attributable to the Town receiving several grant awards that were granted post budget adoption, and therefore, the Town realized an overall savings. Also some budgeted projects were not completed in FY2017 and were encumbered to the FY2018 budget.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to $213,543,982 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, park facilities, vehicles, machinery and equipment, roads, bridges and water and sewer lines. About 68% of the capital assets are governmental and 32% are business-type activities. The total increase in the Town's investment in capital assets for the current year was 9%.

Table 3
Capital Assets at Year-end
(net of accumulated depreciation)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 9,210,631	$ 9,085,631	$ 1,639,066	$ 1,639,066	$ 10,849,697	$ 10,724,697
Construction in progress	19,899,456	12,357,449	5,234,854	2,665,388	25,134,310	15,022,837
Buildings	23,389,848	24,093,109	26,900	31,461	23,416,748	24,124,570
Infrastructure	71,781,836	62,988,483	59,862,563	60,554,733	131,644,399	123,543,216
Other improvements	13,636,734	13,887,584	-	-	13,636,734	13,887,584
Machinery and equipment	7,596,225	7,468,451	1,265,869	1,286,142	8,862,094	8,754,593
Total	$ 145,514,730	$ 129,880,707	$ 68,029,252	$ 66,176,790	$ 213,543,982	$ 196,057,497

Additional information on the Town's capital assets can be found in Note 5 of the notes to the financial statements.

Debt Administration. At the end of the current fiscal year, the Town of Little Elm and its component units had total bonded debt outstanding of $115,812,168, all of which is backed by the full faith and credit of the Town. Additional information on the Town's long-term debt can be found in Note 8 of the notes to the financial statements.

Table 4
Outstanding Debt
Outstanding Debt and Long-Term Liabilities

	Governmental activities		Business-type activities		Total Primary Government		Component Units	
	2017	2016	2017	2016	2017	2016	2017	2016
Gross bonded debt:								
General obligation	$ 18,780,000	$ 27,943,052	$ 24,155,000	$ 7,796,947	$ 42,935,000	$ 35,739,999	$ -	$ -
Certificates of obligation	25,836,155	19,620,000	20,533,843	26,970,000	46,369,998	46,590,000	-	-
Total bonded debt	44,616,155	47,563,052	44,688,843	34,766,947	89,304,998	82,329,999	-	-
Other long-term debt:								
Capital leases	17,932	52,905	-	-	17,932	52,905	-	-
Tax notes	1,205,000	1,550,000	-	-	1,205,000	1,550,000	-	-
Notes Payable	-	-	800,000	900,000	800,000	900,000	13,199,912	11,050,746
Unamortized premiums	1,336,631	1,452,101	1,933,728	1,009,615	3,270,359	2,461,716	-	-
Compensated absences	1,890,333	1,752,582	277,435	242,495	2,167,768	1,995,077	34,233	31,738
Net pension liability	5,162,328	4,707,761	649,638	597,101	5,811,966	5,304,862	-	-
Total other long-term debt	9,612,224	9,515,349	3,660,801	2,749,211	13,273,025	12,264,560	13,234,145	11,082,484
Total	$ 54,228,379	$ 57,078,401	$ 48,349,644	$ 37,516,158	$102,578,023	$ 94,594,559	$ 13,234,145	$ 11,082,484

The Town continues to maintain favorable ratings from the bond rating agencies. Standard & Poor raised its long-term and underlying ratings on the Town to AA from AA-. The outlook is stable. The raised rating reflects the Town's economic improvement driven by strong tax base growth coupled with sustained and very strong reserves.

Additional information on the Town's long-term debt can be found in Note 8 of the notes to the financial statements.

Discretely Presented Component Units

The Little Elm Economic Development Corporation (LEEDC) and Little Elm Community Development Corporation (LECDC) have been included in the reporting entity as discretely presented component units since they provide benefits to other entities aside from the Town. Separate audited financial statements are not issued for LEEDC or LECDC.

The Economic Development Corporation (LEEDC) is a legally separate governmental entity that promotes (a) existing business enterprise expansion and retention, and (b) new business enterprise development. The LEEDC's net position at fiscal year-end was $3,153,064. This is an increase of $2,190,501 from the prior year. The LEEDC's total revenues were $4,991,417 of which $1,721,448 was from sales taxes. For the year, the LEEDC had expenses of $2,800,916. Of this amount $2,277,618 was for economic and physical development.

Additional information on the LEEDC's long-term debt can be found in Note 8 of the notes to the financial statements.

The Community Development Corporation (LECDC) is a legally separate governmental entity tasked with bringing recreational, facility development and tourism opportunities to the Town and is supported by a voter approved sales tax. The LECDC's net position at year-end was $404,748. This is an increase of $38,694 from the prior year. The LECDC's total revenues were $889,507 of which $884,915 was from sales taxes. For the year, the LECDC had expenses of $850,813. Of this amount $596,605 was for debt payments and $88,208 for economic and physical development.

Economic Factors and Next Year's Budgets and Rates

Beginning with the 2016-2017 budget, our goal has been to successfully present a five-year balanced budget (technically a one-year budget and 4-year financial plan) to the Council for consideration. The purpose of the approach is to ensure that we are providing sustainable services in Little Elm's high growth environment. This is particularly important as we continue expanding services on Highway 380 to account for the new residents moving to the area.

For the last several years, it has been the goal to keep the tax rate at a competitive level with other cities and towns while still providing adequate revenue to fund the needs of a rapidly growing community now and into the future. This year, the Town was able to adopt a reduced tax rate of $.657671 and still meet those objectives. The 2017-2018 rate is at $.657671 per $100 of taxable value. Of the total tax rate, $.485188 is dedicated to general operations and maintenance (O&M) in the General Fund, and $.172483 is dedicated to general obligation debt service (I&S).

Some of the more significant upcoming capital projects are as follows: (Many of these projects cover several years, so they are not limited to the FY 17-18 budget.) Projects include various parks and trail projects, Dickson Road improvements, meter change-out program, WWTP expansion, Utility Service Center expansion and an aquatic center.

The fiscal year 2017-2018 operating budget increased by 18% or $7,279,528, from fiscal year 2016-2017 budget. General revenues for property taxes were budgeted with a 16% or $2,894,375 increase from fiscal year 2016-2017 even after lowering the overall tax rate. General revenues for property taxes was budgeted with a 16% increase and a 10% increase was forecast for sales tax. Major increases in operational costs are:

Compensation and Benefits (includes Public Safety Plan Update)	$1,400,000
Additional Personnel (not including Fire)	$ 200,000
Fire Personnel and Supplies Station #3	$1,400,000
Cost of Water for NTMWD	$ 850,000
Utility Meter Project	$ 500,000
Street Maintenance (considered maintenance FY18 but capital FY17)	$1,000,000

The Vehicle Equipment Replacement Fund (VERF) was established in FY 2014. Annual payments are made by participating departments. The total transfer to this fund in the 2018 budget is $1,115,354.

In order to maximize the life of Police vehicles to save maintenance costs and reduce replacement funding, staff has been working within the VERF to increase the number of Police units in the fleet. The goal is for each officer to be assigned one vehicle rather than one vehicle assigned to multiple officers. This will require the addition of 11 vehicles and will occur over several budget cycles. The initial vehicle purchases will be placed within the Police Department Operating budget. In FY18 two additional vehicles have been budgeted.

The total number of budgeted employees or FTE's (Full-time equivalents) is 266.7 for a salary cost of $18 million (includes proposed new positions) in FY18. With benefits the total is approximately $23.8 million. New positions budgeted for FY 2017-2018 are: Human Resource Specialist, Traffic Officer, (9) Firefighter Paramedics, Parks Maintenance Worker.

TIRZ and PID Updates

The Town created TIRZ #6 in November 2016 to be contiguous with the Rudman Tract to help the area on the northern boundary of the Town develop. The Town on December 20, 2016 created the fourth PID for the Town of Little Elm. This PID is located north next to Highway 380 and will be identified as Lakeside Estates PID No. 2.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Little Elm, 100 W. Eldorado Parkway, Little Elm, Texas 75068, or call (214)975-0415.

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Basic Financial Statements

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Town of Little Elm, Texas
Statement of Net Position
September 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	$ 29,095,512	$ 26,630,330	$ 55,725,842	$ 4,036,705
Receivables (net of allowance for uncollectibles)	6,050,364	3,023,222	9,073,586	490,209
Due from other governments	-	117,213	117,213	-
Note receivable from primary government - current portion	-	-	-	100,000
Due from component unit	83,750	-	83,750	-
Lease receivable	-	-	-	3,048,000
Prepaids	261,066	412	261,478	-
Inventories	52,633	206,200	258,833	-
Capital assets:				
Land	9,210,631	1,639,066	10,849,697	10,309,703
Depreciable assets, net	116,404,643	61,155,332	177,559,975	-
Construction in progress	19,899,456	5,234,854	25,134,310	-
Note receivable from primary government-noncurrent portion	-	-	-	700,000
Total assets	181,058,055	98,006,629	279,064,684	18,684,617
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	2,661,907	331,620	2,993,527	-
Deferred loss on refunding	63,459	854,990	918,449	-
Total deferred outflows of resources	2,725,366	1,186,610	3,911,976	-
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	3,410,839	2,082,940	5,493,779	1,813,068
Accrued interest payable	243,978	245,560	489,538	79,592
Retainage payable	589,174	100,571	689,745	-
Customer deposits	770,081	1,211,932	1,982,013	-
Non-current liabilities:				
Due within one year	4,590,999	2,749,900	7,340,899	738,967
Due in more than one year	49,637,380	45,599,744	95,237,124	12,495,178
Total liabilities	59,242,451	51,990,647	111,233,098	15,126,805
NET POSITION (DEFICIT)				
Net investment in capital assets	103,484,651	38,221,407	141,706,058	(2,890,210)
Restricted:				
Construction	4,598,365	-	4,598,365	-
Enabling legislation	1,511,812	2,014,670	3,526,482	5,877,808
Streetscape	507,679	-	507,679	-
Debt service	534,717	-	534,717	165,466
Other	311,207	-	311,207	-
Unrestricted	13,592,539	6,966,515	20,559,054	404,748
Total net position (deficit)	$ 124,540,970	$ 47,202,592	$ 171,743,562	$ 3,557,812

The accompanying notes to the basic financial statements are an integral part of this statement.

Town of Little Elm, Texas
Statement of Activities
For the Year Ended September 30, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Functions/Programs:				
Governmental activities:				
General government	$ 7,030,639	$ 480,986	$ 35,399	$ -
Community service	2,562,510	5,284,136	-	50,000
Public safety	14,962,540	2,598,197	1,531,550	-
Public works	4,620,071	820,186	159,710	4,844,780
Culture and recreation	3,813,775	1,312,017	759,689	3,374,628
Interest expense	1,705,104	-	-	-
Total governmental activities	34,694,639	10,495,522	2,486,348	8,269,408
Business-type activities:				
Water and sewer services	13,091,003	15,381,528	-	1,363,346
Solid waste services	1,885,091	2,329,542	50	-
Total business-type activities	14,976,094	17,711,070	50	1,363,346
Total primary government	$ 49,670,733	$ 28,206,592	$ 2,486,398	$ 9,632,754
Component Units:				
Economic Development Corporation	2,800,916	$ -	$ 3,169,800	$ -
Community Development Corporation	850,813	-	-	-
Total component units	$ 3,651,729	$ -	$ 3,169,800	$ -

General revenues:
Property taxes, penalty, and interest
Sales taxes
Franchise taxes
Interest
Miscellaneous
Gain on sale of capital assets
Transfers
Total general revenues and transfers
Change in net position

Net position at beginning of year

Net position, end of year

The accompanying notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (6,514,254)	$ -	$ (6,514,254)	$ -
2,771,626	-	2,771,626	-
(10,832,793)	-	(10,832,793)	-
1,204,605	-	1,204,605	-
1,632,559	-	1,632,559	-
(1,705,104)	-	(1,705,104)	-
(13,443,361)	-	(13,443,361)	-
-	3,653,871	3,653,871	-
-	444,501	444,501	-
-	4,098,372	4,098,372	-
$ (13,443,361)	$ 4,098,372	$ (9,344,989)	$ -
$ -	$ -	$ -	368,884
-	-	-	(850,813)
$ -	$ -	$ -	$ (481,929)
18,817,352	$ -	$ 18,817,352	$ -
4,303,543	-	4,303,543	2,606,363
2,133,889	114,365	2,248,254	-
291,461	151,282	442,743	10,210
2,326,196	42,383	2,368,579	94,551
19,709	21,711	41,420	-
2,297,150	(2,297,150)	-	-
30,189,300	(1,967,409)	28,221,891	2,711,124
16,745,939	2,130,963	18,876,902	2,229,195
107,795,031	45,071,629	152,866,660	1,328,617
$ 124,540,970	$ 47,202,592	$ 171,743,562	$ 3,557,812

Town of Little Elm, Texas
Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Debt Service	Capital Projects	Valencia Capital Projects	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	$ 14,067,123	$ 647,098	$ 8,261,063	$ 2,071,691	$ 1,491,775	$ 26,538,750
Receivables, net of allowance for doubtful accounts						
Taxes	787,825	47,900	-	-	204,105	1,039,830
Franchise fees	1,833,517	-	-	-	-	1,833,517
Due from other governments	-	-	1,526,684	-	480,815	2,007,499
Other	414,435	83,750	520,000	-	235,083	1,253,268
Due from other funds	375,497	-	-	-	-	375,497
Prepaids	261,066	-	-	-	-	261,066
Inventories	52,633	-	-	-	-	52,633
Total assets	$ 17,792,096	$ 778,748	$ 10,307,747	$ 2,071,691	$ 2,411,778	$ 33,362,060
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	$ 1,392,770	$ 53	$ 1,592,529	$ 229,426	$ 171,731	$ 3,386,509
Due to other funds	-	-	-	-	375,497	375,497
Retainage payable	-	-	589,174	-	-	589,174
Deposits	53,753	-	716,328	-	-	770,081
Total liabilities	1,446,523	53	2,898,031	229,426	547,228	5,121,261
Deferred inflows of resources:						
Unavailable resources	371,078	32,482	125,000	-	41,531	570,091
Total deferred inflows of resources	371,078	32,482	125,000	-	41,531	570,091
FUND BALANCES						
Nonspendable	313,699	-	-	-	-	313,699
Restricted	-	746,213	6,875,134	1,842,265	1,829,325	11,292,937
Committed	-	-	409,582	-	-	409,582
Unassigned	15,660,796	-	-	-	(6,306)	15,654,490
Total fund balances	15,974,495	746,213	7,284,716	1,842,265	1,823,019	27,670,708
Total liabilities, deferred inflows of resources, and fund balances	$ 17,792,096	$ 778,748	$ 10,307,747	$ 2,071,691	$ 2,411,778	$ 33,362,060

The accompanying notes to the basic financial statements are an integral part of this statement.

Town of Little Elm, Texas
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
September 30, 2017

Total governmental fund balances	$	27,670,708
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds financial statements (less $2,901,627 in assets allocated to governmental activities from the internal service fund).		142,613,103
Accrued interest on governmental activities debt is not reported in the governmental funds financial statements until paid.		(243,978)
Revenues earned but not available within sixty days of fiscal year-end are not recognized as revenue in the governmental funds financial statements.		570,091
Unamortized losses on refunding are not due and payable and, therefore are not reported in the governmental funds financial statements. In the government-wide financial statements, the losses are reported as deferred outflows of resources.		63,459
Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. This amount represents the assets less the liabilities of the internal service fund allocated to governmental activities.		5,434,059
Deferred outflows of resources related to the Town's net pension liability increases net position.		2,661,907
Pension liability are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.		(5,162,328)
Premiums on bond issuance for governmental activities debt are included in other financing sources in the governmental funds financial statements.		(1,336,631)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.		(1,890,333)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.		(45,839,087)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	124,540,970

The accompanying notes to the basic financial statements are an integral part of this statement.

Town of Little Elm, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Debt Service	Capital Projects	Valencia Capital Projects	Nonmajor Governmental Funds	Total
Revenues:						
Taxes:						
Property taxes, penalty, and interest	$ 13,940,325	$ 4,670,992	$ -	$ -	$ 184,747	$ 18,796,064
General sales and use taxes	3,327,049	-	-	-	976,494	4,303,543
Other taxes and franchise fees	2,078,753	-	-	-	55,136	2,133,889
Licenses and permits	4,501,472	-	241,660	-	-	4,743,132
Intergovernmental	806,708	680,355	2,046,424	-	832,425	4,365,912
Charges for services	3,169,497	-	-	-	812,580	3,982,077
Impact fees	-	-	754,659	-	-	754,659
Fines	653,524	-	-	-	401,555	1,055,079
Contributions	-	-	3,374,628	-	33,444	3,408,072
Interest	139,061	18,027	90,811	12,682	12,087	272,668
Other revenues	355,872	-	412,022	-	45,861	813,755
Total revenues	28,972,261	5,369,374	6,920,204	12,682	3,354,329	44,628,850
Expenditures:						
Current:						
General government	3,941,541	-	220,070	36,220	75,368	4,273,199
Community services	2,275,030	-	288,835	-	-	2,563,865
Public safety	12,851,040	-	-	-	1,010,555	13,861,595
Public works	2,546,491	-	-	-	632,924	3,179,415
Culture and recreation	3,553,251	-	-	-	21,575	3,574,826
Debt service:						
Principal retirement	-	3,291,897	-	-	-	3,291,897
Interest and fiscal agent fees	-	1,784,447	-	-	-	1,784,447
Capital outlay	1,316,232	-	15,423,655	875,116	71,818	17,686,821
Total expenditures	26,483,585	5,076,344	15,932,560	911,336	1,812,240	50,216,065
Excess (deficiency) of revenues over (under) expenditures	2,488,676	293,030	(9,012,356)	(898,654)	1,542,089	(5,587,215)
Other financing sources (uses):						
Proceeds from sale of assets	31,663	-	-	-	-	31,663
Insurance proceeds	1,016,343	-	-	-	-	1,016,343
Transfers in	2,109,670	-	2,236,949	-	75,000	4,421,619
Transfers out	(1,000,000)	-	(100,200)	-	(1,024,269)	(2,124,469)
Total other financing sources (uses)	2,157,676	-	2,136,749	-	(949,269)	3,345,156
Net change in fund balances	4,646,352	293,030	(6,875,607)	(898,654)	592,820	(2,242,059)
Fund balance at beginning of year	11,328,143	453,183	14,160,323	2,740,919	1,230,199	29,912,767
Fund balance, end of year	$ 15,974,495	$ 746,213	$ 7,284,716	$ 1,842,265	$ 1,823,019	$ 27,670,708

The accompanying notes to the basic financial statements are an integral part of this statement.

Town of Little Elm, Texas

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to Statement of Activities
For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds	$ (2,242,059)
Amounts reported for governmental funds in the statement of activities are different because:	
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	65,256
Capital outlays are reported as expenditures in governmental funds ; however, in the government-wide financial statements, the costs are capitalized as capital asset additions. Disposals of capital assets reduce net position. This amount is the net effect of $17,858,444 of capital outlay ($18,684,421 less $825,977 allocated from internal service fund) and $11,954 of disposals.	17,846,490
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The effect of recording depreciation expense is to decrease net position.	(4,760,592)
Donation of property from developers is not reported in the governmental funds. However, in the statement of activities, the fair market value of those assets is	2,093,697
The repayment of the principal of long term debt consumes the current financial resources of governmental funds, but has no effect on net position. The amortization of bond issuance costs, bond premiums, and deferred gain/loss on refunding of long term debt is reported in the statement of activities but does not require the use of current financial resources. Therefore the effect of the amortization of these various items are not reported in the statement of revenues, expenses, and changes in fund balance. This amount represents the net effect of the following items: o Repayments $3,291,897 o Amortization of premium on bonds, $115,470, less the amortization of deferred loss on refunding ($12,864)	3,394,503
Governmental funds reflect capital lease proceeds as other financing sources and payments as expenditures. This amount represents the amount of year payments which is reflected as a reduction of liabilities in the government-wide financial statements.	34,973
Changes in compensated absences are not reported in the fund financial statements. The net effect of the current year increase is to decrease net position.	(137,751)
The following is the net effect of the current year increases in both the TMRS pension liability, ($454,567), and deferred outflows - pension, $48,596.	(405,971)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, to individual funds. The net income of the internal service fund is allocated entirely to governmental activities.	880,655
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental	(23,262)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 16,745,939

The accompanying notes to the basic financial statements are an integral part of this statement.

Town of Little Elm, Texas
Statement of Net Position
Proprietary Funds
September 30, 2017

	Business-type Activities Enterprise funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Solid Waste	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and cash equivalents	$ 26,305,262	$ 325,068	$ 26,630,330	$ 2,556,762
Receivables (net of allowance for uncollectibles)	2,802,750	220,472	3,023,222	-
Due from other governments	117,213	-	117,213	-
Inventories	206,200	-	206,200	-
Prepaids	412	-	412	-
Total current assets	29,431,837	545,540	29,977,377	2,556,762
Capital assets:				
Land	1,639,066	-	1,639,066	-
Depreciable assets, net	60,973,876	181,456	61,155,332	2,901,627
Construction in progress	5,234,854	-	5,234,854	-
Total capital assets	67,847,796	181,456	68,029,252	2,901,627
Total assets	97,279,633	726,996	98,006,629	5,458,389
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	331,620	-	331,620	-
Deferred loss on refunding	854,990	-	854,990	-
Total deferred outflows of resources	1,186,610	-	1,186,610	-
Total assets and deferred outflows of resources	$ 98,466,243	$ 726,996	$ 99,193,239	$ 5,458,389
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable and other accrued expenses	$ 1,915,958	$ 166,982	$ 2,082,940	$ 24,330
Accrued interest payable	245,560	-	245,560	-
Retainage payable	100,571	-	100,571	-
Customer deposits	1,211,932	-	1,211,932	-
Current portion of long-term debt	2,749,202	698	2,749,900	-
Total current liabilities	6,223,223	167,680	6,390,903	24,330
Long-term debt, net of current portion	45,599,529	215	45,599,744	-
Total liabilities	51,822,752	167,895	51,990,647	24,330
Net position:				
Net investment in capital assets	38,039,951	181,456	38,221,407	2,901,627
Restricted for:				
Impact fees	2,014,670	-	2,014,670	-
Unrestricted	6,588,870	377,645	6,966,515	2,532,432
Total net position	46,643,491	559,101	47,202,592	5,434,059
Total liabilities and net position	$ 98,466,243	$ 726,996	$ 99,193,239	$ 5,458,389

The accompanying notes to the basic financial statements are an integral part of this statement.

Town of Little Elm, Texas

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities Enterprise funds			Governmental-Activities Internal Service Fund
	Water and Sewer	Solid Waste	Total	
Operating revenues:				
Water sales	$ 8,570,587	$ -	$ 8,570,587	$ -
Charges for sewer services	6,246,696	-	6,246,696	-
Tap, connections, and other fees	529,699	-	529,699	-
Charges for solid waste	-	2,321,596	2,321,596	-
Contributions	-	-	-	1,300,780
Other revenue	76,929	7,946	84,875	-
Total operating revenues	15,423,911	2,329,542	17,753,453	1,300,780
Operating expenses:				
Personnel services	2,049,506	37,079	2,086,585	-
Contractual services	390,178	1,746,572	2,136,750	-
Repairs and maintenance	300,440	65,122	365,562	-
Supplies	5,688,939	9,959	5,698,898	67,369
Depreciation and amortization	2,311,633	26,031	2,337,664	371,549
Other operating expenses	725,239	328	725,567	-
Total operating expenses	11,465,935	1,885,091	13,351,026	438,918
Operating income	3,957,976	444,451	4,402,427	861,862
Non-operating revenues (expenses):				
Taxes	-	114,365	114,365	-
Gain on sale of assets	21,711	-	21,711	-
Interest income	147,086	4,196	151,282	18,793
Intergovernmental	-	50	50	-
Interest expense	(1,625,068)	-	(1,625,068)	-
Total non-operating revenue (expenses)	(1,456,271)	118,611	(1,337,660)	18,793
Income before capital contributions and transfers	2,501,705	563,062	3,064,767	880,655
Capital contributions and transfers				
Capital contributions	451,177		451,177	-
Impact fees	912,169	-	912,169	-
Transfers out	(1,731,150)	(566,000)	(2,297,150)	-
Total capital contributions and transfers	(367,804)	(566,000)	(933,804)	-
Change in net position	2,133,901	(2,938)	2,130,963	880,655
Net position at beginning of year	44,509,590	562,039	45,071,629	4,553,404
Net position, end of year	$ 46,643,491	$ 559,101	$ 47,202,592	$ 5,434,059

The accompanying notes to the basic financial statements are an integral part of this statement.

Town of Little Elm, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Solid Waste	Total	
Cash flow from operating activities:				
Receipts from customers and users	$ 15,288,462	$ 2,314,297	$ 17,602,759	$ 1,300,780
Payments to suppliers	(5,427,046)	(1,839,728)	(7,266,774)	(43,267)
Payments to employees	(1,611,397)	(12,578)	(1,623,975)	-
Net cash provided by operating activities	8,250,019	461,991	8,712,010	$ 1,257,513
Cash flow from noncapital financing activities:				
Transfers out	(1,731,150)	(566,000)	(2,297,150)	-
Intergovernmental	-	50	50	-
Taxes	-	114,365	114,365	-
Net cash used by noncapital financing activities	(1,731,150)	(451,585)	(2,182,735)	-
Cash flow from capital financing activities:				
Proceeds from long-term debt	26,153,745	-	26,153,745	-
Payment to escrow agent	(14,313,516)	-	(14,313,516)	-
Acquisition of capital assets	(3,605,927)	-	(3,605,927)	(825,977)
Proceeds from sale of capital assets	21,711	-	21,711	-
Impact fees	912,169	-	912,169	-
Principal paid on capital debt	(2,128,104)	-	(2,128,104)	-
Interest paid on capital debt	(1,671,400)	-	(1,671,400)	-
Net cash provided by (used by) capital financing activities	5,368,678	-	5,368,678	(825,977)
Cash flow from investing activities:				
Interest and dividends on investments	147,086	4,196	151,282	18,793
Net cash provided by investing activities	147,086	4,196	151,282	18,793
Net increase in cash and cash equivalents	12,034,633	14,602	12,049,235	450,329
Cash and cash equivalents, beginning of the year	14,270,629	310,466	14,581,095	2,106,433
Cash and cash equivalent, ending of the year	$ 26,305,262	$ 325,068	$ 26,630,330	$ 2,556,762
Noncash transactions:				
Capital contributions	$ 451,177	$ -	$ 451,177	$ -

The accompanying notes to the basic financial statements are an integral part of this statement.

Town of Little Elm, Texas
Statement of Cash Flows – Continued
Proprietary Funds
For the Year Ended September 30, 2017

	Water and Sewer	Solid Waste	Total	Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 3,957,976	$ 444,451	$ 4,402,427	$ 861,862
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,311,633	26,031	2,337,664	371,549
Pension expense (income)	448,949	-	448,949	-
Effects of changes in assets and liabilities:				
Decrease (increase) in receivables	(119,092)	(15,245)	(134,337)	-
Decrease (increase) in inventories	(16,357)	-	(16,357)	-
Decrease (increase) in prepaids	225	-	225	
Increase (decrease) in payables	1,552,449	6,539	1,558,988	24,102
Increase (decrease) in deposits	79,510	-	79,510	-
Increase (decrease) in compensated absences	34,726	215	34,941	-
Net cash provided by operating activities	$ 8,250,019	$ 461,991	$ 8,712,010	$ 1,257,513

The accompanying notes to the basic financial statements are an integral part of this statement.

Town of Little Elm, Texas
Statement of Fiduciary Net Position
Agency Fund
September 30, 2017

	PID Agency Fund
ASSETS	
Cash and cash equivalents	$ 2,740,355
Total Assets	$ 2,740,355
LIABILITIES	
Liability to bond holders	$ 2,740,355
Total Liabilities	$ 2,740,355

The accompanying notes to the basic financial statements are an integral part of this statement.

Town of Little Elm, Texas
Statement of Net Position
Discretely Presented Component Units
September 30, 2017

	Economic Development Corporation	Community Development Corporation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,795,360	$ 241,345	$ 4,036,705
Receivables (net of allowance for uncollectibles)	326,806	163,403	490,209
Leases receivable	3,048,000	-	3,048,000
Note receivable from primary government-current	100,000	-	100,000
Note receivable from primary government-noncurren	700,000	-	700,000
Land	10,309,703	-	10,309,703
Total Assets	18,279,869	404,748	18,684,617
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	1,813,068	-	1,813,068
Accrued interest payable	79,592	-	79,592
Non-current liabilities:			
Due within one year	738,967	-	738,967
Due in more than one year	12,495,178	-	12,495,178
Total Liabilities	15,126,805	-	15,126,805
NET POSITION			
Net investment in capital assets	(2,890,210)	-	(2,890,210)
Restricted by enabling legislation	5,877,808	-	5,877,808
Restricted for debt service	165,466	-	165,466
Unrestricted	-	404,748	404,748
Total Net Position	$ 3,153,064	$ 404,748	$ 3,557,812

The accompanying notes to the basic financial statements are an integral part of this statement.

Town of Little Elm, Texas
Statement of Activities
Discretely Presented Component Units
For the Year Ended September 30, 2017

		Program Revenues	
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:			
Economic Development Corporation	$ 2,800,916	$ 3,169,800	$ -
Community Development Corporation	850,813	-	-
Total component units	$ 3,651,729	$ 3,169,800	$ -

General revenues:
Sales taxes
Investment income
Miscellaneous
Total general revenues
Change in net position
Net position - beginning of year

Net position - end of year

The accompanying notes to the basic financial statements are an integral part of this statement.

Component Units		
Economic Development Corporation	Community Development Corporation	Total
$ 368,884	$ -	$ 368,884
-	(850,813)	(850,813)
$ 368,884	$ (850,813)	$ (481,929)
1,721,448	884,915	$ 2,606,363
5,618	4,592	10,210
94,551	-	94,551
1,821,617	889,507	2,711,124
2,190,501	38,694	2,229,195
962,563	366,054	1,328,617
$ 3,153,064	$ 404,748	$ 3,557,812

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Note 1. Summary of Significant Accounting Policies

The Town of Little Elm, Texas (the Town) is a municipal corporation governed by an elected mayor and six-member Town Council and provides the following services by its charter: public safety, public works, health, culture, recreation, community development, water and sewer utilities, and solid waste utilities.

The accounting and reporting policies of the Town conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that are used. The more significant accounting policies of the Town are described below.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the Town's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the Town's statement of net position includes both noncurrent assets and noncurrent liabilities of the Town. In addition, the government-wide statement of activities reflects depreciation expenses on the Town's capital assets, including infrastructure.

In addition to the government-wide financial statements, the Town has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

B. Financial Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the Town is considered to be financially accountable. As required by GAAP, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the Town.

Little Elm Economic Development Corporation

The Little Elm Economic Development Corporation (EDC) is a duly-established municipal corporation created under the provisions of Section 4A of the Development Corporation Act of 1976 as revised, with approval of the governing body of the Town of Little Elm. The EDC, a separate non-profit corporation, was formed in 1993 for the public purposes of the promotion and development of new and expanded business enterprises to provide and encourage employment in the furtherance of the public welfare and is operated primarily within the geographic boundaries of the Town. The affairs of the EDC shall be managed by a Board of Directors consisting of five members who shall be appointed by the Town council: one director from the Town council and four directors at-large. The EDC is supported by a half-cent sales tax voted by referendum in 1993. An Executive Director is appointed by the EDC Board to carry out the Board's administrative and policy initiatives. The EDC is considered part of the Town's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The EDC does not issue separate financial statements.

Little Elm Community Development Corporation

The Little Elm Community Development Corporation (CDC) is a separate entity formed in February 2007 to improve and expand park and recreation facilities from revenue generated through the Type 4B sales tax. The CDC operates under the authority of Section 2(11)-(A)-(E) and Section 4B of Article 5190.6 of Revised Civil Statutes, as amended. The CDC is considered part of the Town's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The CDC is a discretely presented component unit under the criteria of board appointment and removal by the Town Council, approval and oversight of capital projects as well as budget authorization and approval. The CDC does not issue separate financial statements.

Tax Increment Reinvestment Zone Number Three (TIRZ #3)

The Town created Tax Increment Reinvestment Zone Number Three (TIRZ#3) to provide additional financing resources to further enhance development within the zone. The Town Council appoints a Board and Board members are removable by the Town Council. TIRZ#3 commenced October 2013 and will terminate on December 31, 2043, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and obligations of the zone have been paid in full. Although TIRZ#3 is fiscally dependent on the Town, as the Town approves their budgets and any debt issuances, TIRZ#3 qualifies for blending because the Board is the same as the Town Council. Previous to fiscal year 2017, TIRZ#3 had been reported as a discretely presented component unit, but is now reported as a blended component unit of the Town as ordinance #1413 was approved in 2017 clarifying the composition of the Board as described above. TIRZ#3 does not issue separate financial statements.

Tax Increment Reinvestment Zone Number Four (TIRZ #4)

The Town created Tax Increment Reinvestment Zone Number Four (TIRZ#4) to provide additional financing resources to further enhance development within the zone. The Town Council appoints a Board and Board members are removable by the Town Council. TIRZ#4 commenced December 2013 and will terminate on December 31, 2048, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and obligations of the zone have been paid in full. TIRZ#4 is fiscally dependent on the Town, as the Town approves their budgets and any debt issuances. TIRZ#4 qualifies for blending because the Board is the same as the Town Council. TIRZ#4 is reported as a blended component unit of the Town and it does not issue separate financial statements.

Tax Increment Reinvestment Zone Number Five (TIRZ #5)

The Town created Tax Increment Reinvestment Zone Number Five (TIRZ#5) to provide additional financing resources to further enhance development within the zone. The Town Council appoints a Board and Board members are removable by the Town Council. TIRZ#5 commenced December 2014 and will terminate on December 31, 2049, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and obligations of the zone have been paid in full. TIRZ#5 is fiscally dependent on the Town, as the Town approves their budgets and any debt issuances. TIRZ#5 qualifies for blending because the Board is the same as the Town Council. TIRZ#5 is reported as a blended component unit of the Town and it does not issue separate financial statements.

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, the debt service fund, the capital projects fund, and the Valencia capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues or expenditures /expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The governmental fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Property taxes, sales taxes, franchise fees, certain other fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Accounting
The following major funds are used by the Town:

1. Governmental Funds:

Governmental Funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of changes in financial position, rather than on net income determination. The following is a description of the major Governmental Funds of the Town:

General Fund is the Town's primary operating fund. This fund is used to account for all financial resources of the general government, except those required to be accounted for in other funds.

Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general obligation long-term debt paid from taxes levied by the Town.

Capital Projects Fund is used to account for the acquisition or construction of capital facilities and improvements except those being financed by proprietary funds.

Valencia Capital Projects Fund is used to account for the acquisition or construction of capital facilities and improvements relating to the Valencia PID.

The Town reports the following non-major governmental funds.

Grants Fund accounts for grants distributed to the Town by the Texas State Comptroller of Public Accounts, the Department of Homeland Security, and other organizations such as the Texas Library Archives, and the Law Enforcement Officer Safety Education Program.

Donations Fund accounts for donations made by civic organizations, businesses, and citizens for specific uses which include the library, animal control center, police, and fire departments. Donations are generally donated for the purchase of equipment.

Forfeitures Fund accounts for fines and forfeiture of property resulting from criminal cases within the boundaries of the Town that have been adjudicated by the State of Texas in District Court.

Street Maintenance Fund accounts for the Town's 1/4 cent sales tax, which was approved by the citizens of Little Elm in May of 2009 and is restricted for the purpose of street maintenance.

Red Light Camera Fund accounts for proceeds and expenses related to red-light cameras.

Stormwater Drainage Fund accounts for fees charged for stormwater drainage services.

PEG Fund accounts for fees used to defer the cost of streaming Council meeting videos of all meetings to meet the objective of local government transparency.

SAFER Grant Fund accounts for proceeds and expenditures relating to the SAFER grant.

Little Elm Parks Fund accounts for fees used to help fund parks and recreational spaces.

Little Elm TIRZ#3 Fund accounts for proceeds and expenditures relating to Little Elm Tax Increment Reinvestment Zone Number 3.

Little Elm TIRZ#4 Fund accounts for proceeds and expenditures relating to Little Elm Tax Increment Reinvestment Zone Number 4.

Little Elm TIRZ#5 Fund accounts for proceeds and expenditures relating to Little Elm Tax Increment Reinvestment Zone Number 5.

Highway 380 MMD fund accounts for the Town's contributions to the Highway 380 Municipal Management District (MMD).

The Town reports the following fiduciary fund:

Public Improvement District (PID) No. 4 Valencia Agency Fund accounts for bond proceeds, assessments, and related debt associated with the issuance of bonds issued by the Town as an agent for the Public Improvement District.

Governmental funds with legally adopted annual budgets include the General Fund and the Debt Service Fund.

2. Proprietary Funds:

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses including depreciation on capital assets) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following is a description of the major enterprise funds of the Town:

The Water and Sewer Fund is used to account for the operations of providing water and sewer services to residential and commercial customers.

The Solid Waste Fund is used to account for the collection of trash and recyclables from residential users.

Additionally, the Town reports an Internal Service Fund to account for the financing of goods or services provided by one department to other departments within the Town. The Vehicle Replacements fund is used to account for the acquisition and disposal of vehicles and large dollar equipment for the Town.

E. Cash and Cash Equivalents

Cash of all funds, excluding the Town's payroll clearing account, medical card account, and certain escrow accounts, is pooled into a common interest-earning bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Town.

The Town may invest in certificates of deposit, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements. Investments purchased with pooled cash, as well as separate investments, are recorded at fair value. The fair value is based on the market price. The fair value of the local government investment pools are the same as the fair value of the pool shares.

F. Inventories, Prepaid Items and Deferred Charges

Inventory is valued at cost (first-in, first-out). The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by non-spendable fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of fund balance. Inventories in the Proprietary Funds consist of meters and various supplies.

Prepaid balances are for payments made by the Town for which benefits extend beyond September 30, 2017, and the non-spendable fund balance has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Accounts Receivable

Accounts receivable consist primarily of amounts due from citizens for various services provided by the Town as well as property taxes, sales taxes receivable, franchise taxes and amounts due from other governments. Management evaluates the adequacy of the allowance for doubtful accounts based on a review of the aging of accounts and other specific information known by management.

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost. Donated capital assets are recorded at the acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities acquired with tax-exempt debt is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 40
Infrastructure	10 - 25
Water and sewer system	40
Improvements other than buildings	7 - 40
Machinery and equipment	3 - 20

J. Interfund Transactions

During the course of normal operations, the Town has transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. There is no interest charged between funds for these advances.

K. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

L. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources and pension expense, Town specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the Town's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Information regarding the Town's Total Pension Liability is obtained from TMRS through a report prepared for the Town by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

N. Deferred Outflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has the following items that qualify for reporting in this category:

Deferred Loss on Refunding – these deferred outflows result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Pensions – these deferred outflows result from pension contributions after the measurement date (deferred and recognized in the following fiscal year) and/or differences in projected and actual earnings on pension assets (deferred and amortized over a closed five year period).

O. Fund Equity

Governmental Funds:
The Town has adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions.

The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the Town classifies governmental fund balances as follows:

Nonspendable: includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted: includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed: includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority, which is the Town Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an ordinance adopted by the Town Council. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned: includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used by the Town for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The Town Council has authorized the Town Manager or his or her designee as the official authorized person to assign fund balance to a specific purpose as approved by the fund balance policy.

Unassigned fund balance: is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Order of Expenditure of Funds: When multiple categories of fund balance are available for expenditure, the Town will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Economic stabilization: It is the goal of the Town to achieve and maintain an unassigned fund balance in the General Fund equal to 25% of the budgeted expenditures in the General Fund for unanticipated expenditures, unforeseen revenue fluctuations, or other adverse circumstances. The fund balance level may be reduced to the equivalent of 15% of budgeted expenditures in unusual financial circumstances. If such a situation should occur, the Town will implement necessary corrective action with a three-year plan to restore the unassigned fund balance to the equivalent of 25% of budgeted expenditures.

Proprietary Funds:
Net position represents the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent debt proceeds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

P. Subsequent Events

The Town has evaluated all events or transactions that occurred after September 30, 2017 up through February 15, 2018, the date the financial statements were issued. Significant subsequent events are described in Note 15.

Note 2. Cash and Investments

The Town has adopted an investment policy pursuant to Chapter 2256 of the Texas Government Code, which authorizes the Town's investments in United States government obligations and its agencies, obligations of Texas and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers' acceptances, government pools, and money market funds. The Town selects its investments based on safety, liquidity, yield, and public trust.

The EDC can invest in obligations of the United States Treasury, the State of Texas, certain United States Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds, and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At year end, the carrying amount of the Town's deposits was $57,690,104 and the bank balance was $59,298,275. The bank balance was completely covered by federal deposit insurance and collateral held by the pledging financial institution in the Town's name.

Cash and investments as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Primary Government:	
Cash and cash equivalents	$ 55,725,842
Fiduciary Fund:	
Cash and cash equivalents	2,740,355
Component Unit:	
Cash and cash equivalents	4,036,705
Total cash and investments	$ 62,502,902
Cash on hand:	$ 2,550
Deposits with financial institution	57,690,104
Investments	4,810,248
Total cash and investments	$ 62,502,902

The table below identifies the investment types that are authorized for the Town by the Public Funds Investment Act. (Government Code Chapter 2256) The table also identifies certain provisions of the Town's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury obligations	2 years	None	None
U.S. Agency obligations	2 years	None	None
Certificates of deposit	2 years	None	None
Direct repurchase agreements	2 years	None	None
No-load money market mutual funds	2 years	None	None
Direct obligations of State of Texas	2 years	None	None
Investment pools	2 years	None	None

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

In accordance with its investment policy, the Town manages its exposure to declines in fair value by limiting the weighted average maturity of its non-bond proceed investments to no more than nine months.

As of September 30, 2017, the Town had the following investments:

Investment Type	Amount	Weighted Average Maturity
Mutual Funds	$ 4,810,248	19

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the Town's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
Mutual Funds	$ 4,810,248	N/A	AAA-m

Concentration of credit risk

The Town's investment policy is to avoid a concentration of assets in a specific maturity, a specific issue, or a specific class of investments.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

The Town requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the Town's depository in the Town's name and held by the depository's agent.

As of September 30, 2017 the Town deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The Town has recurring fair value measurements as presented in the table below. The Town's investment balances and weighted average maturity of such investments are as follows:

		Fair Value Measurements Using				
	Value at September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Weighted Average Maturity (Days)
Investments by Fair Value Level:						
Marketable Equity Securities:						
Mutual Funds	$ 4,810,248	$ 4,810,248	$ -	$ -	100.00%	19
Total Value	$ 4,810,248	$ 4,810,248	$ -	$ -		

Mutual funds reported as level 1 are valued at the net asset value (NAV) of shares held by the Town at year end. The NAV is a quoted price in an active market.

Note 3. Property Taxes

Taxes are levied on October 1 and are payable until January 31 without penalty. Property taxes attach as an enforceable lien on property as of January 1. The total assessed value upon which the fiscal 2017 levy was based was approximately $2,820,000,000. Such assessed value was computed based on 100% appraised values.

Article XI, Section 5 of the Texas Constitution allows a tax rate up to $2.50 per $100 valuation. Further, Section 8.03B of the Town's Home-Rule Charter provides that the "Town Council shall have the power, and is hereby authorized to levy, assess, and collect annual taxes not to exceed the maximum limit set by the Constitution and laws of the State of Texas, as they now exist or as they may be amended, on each one hundred dollars ($100.00) assessed valuation". The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2017 was $0.661687 per $100 of assessed valuation. Current tax collections for the year ended September 30, 2017 were approximately 99% of the tax levy.

Note 4. Receivables

Receivables as of year-end for the government's individual major funds, non-major funds in the aggregate and discretely presented component units, including the applicable allowances for uncollectible accounts as of September 30, 2017 are as follows:

	Governmental Funds				
	General	Debt Service	Capital Projects	Nonmajor Funds	Total
Ad valorem taxes	$ 167,547	$ 59,781	$ -	$ -	$ 227,328
Sales taxes	653,611	-	-	204,105	857,716
Court	1,082,015	-	-	641,545	1,723,560
Ambulance	511,934	-	-	-	511,934
Storm drainage	-	-	-	129,556	129,556
Franchise fees	1,833,517	-	-	-	1,833,517
Intergovernmental	-	-	1,526,684	480,815	2,007,499
Other	73,118	83,750	520,000	49,485	726,353
Gross receivables	4,321,742	143,531	2,046,684	1,505,506	8,017,463
Less: allowances	(1,285,965)	(11,881)	-	(585,503)	(1,883,349)
Net total receivables	$ 3,035,777	$ 131,650	$ 2,046,684	$ 920,003	$ 6,134,114

	Proprietary Funds		
	Water and Sewer	Solid Waste	Total
Customer accounts	$ 2,133,466	$ 241,659	$ 2,375,125
Other	812,189	-	812,189
Gross receivables	2,945,655	241,659	3,187,314
Less: allowances	(142,905)	(21,187)	(164,092)
Net total receivables	$ 2,802,750	$ 220,472	$ 3,023,222

	Component Units		
	EDC	CDC	Total
Sales taxes	$ 326,806	$ 163,403	$ 490,209
Total receivables	$ 326,806	$ 163,403	$ 490,209

Direct-Financing Lease

EDC leases certain Corporation-owned property to a company for use in its business. The lease is classified as a direct-financing lease and expires in 2043. The following are the components of the EDC's net investment in direct financing leases and reported as leases receivable as of September 30, 2017:

Total minimum lease payments to be received	$ 5,138,616
less: unearned interest income	(2,090,616)
Net investment in direct financing lease	$ 3,048,000

As of September 30, 2017, minimum lease payments are as follows:

Fiscal Year	
2018	$ 102,412
2019	205,559
2020	205,559
2021	205,559
2022	205,559
2023-2027	1,027,797
2028-2032	1,027,797
2033-2037	1,027,797
2038-2042	1,027,797
2043-2047	102,780
	$ 5,138,616

Note 5. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 9,085,631	$ 125,000	$ -	$ -	$ 9,210,631
Construction in progress	12,357,449	15,410,012	-	(7,868,005)	19,899,456
Total capital assets, not being depreciated	21,443,080	15,535,012	-	(7,868,005)	29,110,087
Capital assets being depreciated:					
Infrastructure	102,548,170	3,599,341	-	7,495,019	113,642,530
Buildings	28,163,565	-	-	-	28,163,565
Improvements other than buildings	15,757,465	263,364	-	372,986	16,393,815
Machinery and Equipment	14,103,231	1,380,401	(264,581)	-	15,219,051
Total capital assets being depreciated	160,572,431	5,243,106	(264,581)	7,868,005	173,418,961
Less accumulated depreciation for:					
Infrastructure	39,559,687	2,301,007	-	-	41,860,694
Buildings	4,070,456	703,261	-	-	4,773,717
Improvements other than buildings	1,869,881	887,200	-	-	2,757,081
Machinery and Equipment	6,634,780	1,240,673	(252,627)	-	7,622,826
Total accumulated depreciation	52,134,804	5,132,141	(252,627)	-	57,014,318
Total capital assets being depreciated, net	108,437,627	110,965	(11,954)	7,868,005	116,404,643
Governmental activities capital assets, net	$ 129,880,707	$ 15,645,977	$ (11,954)	$ -	$ 145,514,730

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	$ 1,639,066	$ -	$ -	$ -	$ 1,639,066
Construction in progress	2,665,388	2,569,466	-	-	5,234,854
Total capital assets, not being depreciated	4,304,454	2,569,466	-	-	6,873,920
Capital assets being depreciated:					
Buildings	173,679	-	-	-	173,679
Water system improvements	42,856,575	1,300,727	-	-	44,157,302
Sewer system improvements	33,117,362	49,893	-	-	33,167,255
Machinery and equipment	2,801,002	205,076	(89,769)	-	2,916,309
Total capital assets being depreciated	78,948,618	1,555,696	(89,769)	-	80,414,545
Less accumulated depreciation for:					
Buildings	142,218	4,561	-	-	146,779
Water system improvements	7,516,921	1,227,385	-	-	8,744,306
Sewer system improvements	7,902,283	815,405	-	-	8,717,688
Machinery and equipment	1,514,860	225,349	(89,769)	-	1,650,440
Total accumulated depreciation	17,076,282	2,272,700	(89,769)	-	19,259,213
Total capital assets being depreciated, net	61,872,336	(717,004)	-	-	61,155,332
Business-type activities capital assets, net	$ 66,176,790	$ 1,852,462	$ -	$ -	$ 68,029,252

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 2,354,824
Public safety	1,008,266
Public works	1,191,010
Culture and recreation	206,492
Internal service fund	371,549
	$ 5,132,141
Business-type activities:	
Solid Waste	$ 26,031
Water and Sewer	2,246,669
	$ 2,272,700

Note 6. Transfers

Transfers are used to provide funds for debt service, contributions for capital construction, cost allocations and other operational costs as determined by the Town's annual budget. Transfers between funds during the year were as follows:

Transfer In	Transfer Out	Amount	Purpose
Capital Projects Fund	General Fund	$ 1,000,000	Provide funding assistance for capital projects
Capital Projects Fund	Non-major Fund	845,949	Provide funding assistance for capital projects
Capital Projects Fund	Solid Waste Fund	391,000	Provide funding assistance for capital projects
General Fund	Capital Projects Fund	25,200	Provide funding assistance for capital projects
General Fund	Non-major Fund	178,320	To offset the court costs and park maintenance
General Fund	Solid Waste Fund	175,000	For miscellaneous administrative expenses
General Fund	Water and Sewer Fund	1,731,150	For miscellaneous administrative expenses
Non-major Fund	Capital Projects Fund	75,000	To assist with drainage at Swim Beach
		$ 4,421,619	

Note 7. Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total
Property taxes	$ 91,401	$ 32,482	$ -	$ -	$ 123,883
Court fines	123,138	-	-	41,531	164,669
Other	156,539	-	125,000	-	281,539
Total	$ 371,078	$ 32,482	$ 125,000	$ 41,531	$ 570,091

Note 8. Long-Term Debt

The Town of Little Elm issues general obligation bonds, certificates of obligation and revenue bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The Town also issues revenue bonds where the Town pledges income derived from the acquired or constructed assets, or sales tax to pay the debt service.

Changes in Long-term Liabilities

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Governmental activities:					
General obligation bonds	$ 27,943,052	$ -	$ (2,106,897)	$ 25,836,155	$ 2,223,540
Unamortized bond premium	1,452,101	-	(115,470)	1,336,631	-
Certificates of obligation	19,620,000	-	(840,000)	18,780,000	1,020,000
Tax Notes	1,550,000	-	(345,000)	1,205,000	350,000
Capital leases	52,905	-	(34,973)	17,932	17,932
Compensated absences	1,752,582	1,830,696	(1,692,945)	1,890,333	979,527
Net pension liability	4,707,761	454,567	-	5,162,328	-
	57,078,401	2,285,263	(5,135,285)	54,228,379	4,590,999
Business-type activities:					
General obligation bonds	7,796,947	13,645,000	(908,104)	20,533,843	846,461
Certificates of obligation	26,970,000	11,830,000	(14,645,000)	24,155,000	1,710,000
Unamortized bond premium	1,009,615	1,158,510	(234,397)	1,933,728	-
Compensated absences	242,495	247,645	(212,705)	277,435	93,439
Note payable to EDC	900,000	-	(100,000)	800,000	100,000
Net pension liability	597,101	52,537	-	649,638	-
	37,516,158	26,933,692	(16,100,206)	48,349,644	2,749,900
Total Primary Government	$ 94,594,559	$ 29,218,955	$ (21,235,491)	$ 102,578,023	$ 7,340,899
Component Units:					
Notes payable - EDC	$ 11,050,746	$ 3,048,000	$ (898,834)	$ 13,199,912	$ 731,622
Compensated absences	31,738	31,738	(29,243)	34,233	7,345
	$ 11,082,484	$ 3,079,738	$ (928,077)	$ 13,234,145	$ 738,967

Long-term debt of the Town is comprised of the following individual issues as of September 30, 2017:

Certificates of Obligation	Outstanding Governmental	Due in one year	Outstanding Business-Type	Due in one year
$2,500,000 Series 2009A Combination Tax and Revenue Certificates of Obligation due in annual installments of $75,000 to $190,000 through August 2029, plus interest at 3.00% to 5.00%	$ 1,780,000	$ 110,000		
$6,000,000 Series 2013 Combination Tax and Revenue Certificates of Obligation due in annual installments of $150,000 to $335,000 through August 2028, plus interest at 1.50% to 3.00%	5,080,000	265,000		
$3,000,000 Series 2013A Combination Tax and Revenue Certificates of Obligation due in annual installments of $130,000 to $210,000 through August 2033, plus interest at 1.50% to 3.50%	2,610,000	135,000		
$9,966,000 Series 2015 Combination Tax and Revenue Certificates of Obligation due in annual installments of $275,000 to $630,000 through August 2036, plus interest at 2.00% to 3.50%	9,310,000	510,000		
$7,640,000 Series 2016 Combination Tax and Revenue Certificates of Obligation due in annual installments of $205,000 to $510,000 through August 2036, plus interest at 2.00% to 5.00%			$ 7,435,000	$ 270,000
$6,500,000 Series 2008 Combination Tax and Revenue Certificates of Obligation due in annual installments of $160,000 to $455,000 through August 2034, plus interest at 4.15% to 5.20%			215,000	215,000
$10,000,000 Series 2009 Combination Tax and Revenue Certificates of Obligation due in annual installments of $145,000 to $735,000 through August 2034, plus interest at 2.75% to 5.25%			355,000	355,000
$11,830,000 Series 2017 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $450,000 to $770,000 through August 2037, plus interest at 3.00% to 5.00%			11,830,000	495,000
$6,000,000 Series 2012 Combination Tax and Revenue Certificates of Obligation due in annual installments of $280,000 to $495,000 through August 2027, plus interest at 2.00% to 2.38%			4,320,000	375,000
	$ 18,780,000	$ 1,020,000	$ 24,155,000	$ 1,710,000

On January 15, 2017, the Town issued $11,830,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017. Proceeds from the sale of the certificates will be used for the purpose of paying the Town's contractual obligations to be incurred for improvements and extensions to the Town's System including the acquisition of land and rights-of-way therefor.

On January 15, 2017, the Town also issued $13,645,000 General Obligation Refunding Bonds, Series 2017. Proceeds from the sale of the bonds will be used for the purpose of refunding a portion of the Town's outstanding debt in order to achieve debt service savings. This issuance is an advanced refunding of $5,190,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation Bond, Series 2008 and $8,335,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009. $14,313,516 was paid to escrow to an irrevocable trust to refund future debt payments. This refunding resulted in a decrease in the Town's debt service payments of $2,200,151, which represents an economic gain of $1,724,050. As a result of the transaction, the refunded bonds are considered legally defeased and are no longer included as a liability in the Town's basic financial statements.

General Obligation Bonds	Outstanding Governmental	Due in one year	Outstanding Business-Type	Due in one year
$10,000,000 Series 2009 Combination Tax and Revenue General Obligation due in annual installments of $210,000 to $475,000 through August 2027, plus interest at 4.00% to 4.50%	$ 7,115,000	$ 445,000		
$9,135,000 Series 2010 Refunding and Improvement General Obligation due in annual installments of $195,000 to $655,000 through August 2030, plus interest at 2.00% to 5.00%	6,851,155	453,540		
$2,735,000 Series 2012A General Obligation due in annual installments of $130,000 to $210,000 through September 2027, plus interest at 2.09%	1,935,000	175,000		
$2,520,000 Series 2010 Combination Tax and Revenue Refunding General Obligation due in annual installments of $185,000 to $280,000 through August 2030, plus interest at 2.00% to 5.00%			$ 768,843	$ 221,461
$6,985,000 Series 2012 Combination Tax and Revenue Refunding General Obligation due in annual installments of $300,000 to $700,000 through August 2024, plus interest at 2.00% to 3.00%	2,100,000	385,000	1,930,000	255,000
$6,725,000 Series 2016 General Obligation Refunding Bonds due in annual installments of $375,000 to $735,000 through August 2027, plus interest at 2.00% to 5.00%	6,155,000	645,000	-	-
$4,550,000 Series 2014 General Obligation Refunding Bonds due in annual installments of $235,000 to $375,000 through August 2029, plus interest at 2.00% to 4.00%	1,680,000	120,000	2,110,000	145,000
$13,645,000 Series 2017 General Obligation Refunding Bonds due in annual installments of $10,000 to $1,090,000 through September 2025, plus interest at			13,560,000	10,000
$3,040,000 Series 2013 General Obligation Refunding Bonds due in annual installments of $205,000 to $525,000 through September 2025, plus interest at 2.00% to 2.50%			2,165,000	215,000
	$ 25,836,155	$ 2,223,540	$ 20,533,843	$ 846,461

Tax Notes	Outstanding Governmental	Due in one year	Outstanding Business-Type	Due in one year
$1,990,000 Series 2014 Tax Notes due in annual installments of $230,000 to $250,000 through September 2021, plus interest at 1.77%	$ 1,205,000	$ 350,000	$ -	$ -
	$ 1,205,000	$ 350,000	$ -	$ -

The annual aggregate maturities for each bond type are as follows:

General Obligation Bonds

Fiscal Year Ending September 30,	Governmental Activities Principal	Interest	Total	Business Activities Principal	Interest	Total
2018	$ 2,223,540	$ 930,529	$ 3,154,069	$ 846,461	$ 712,474	$ 1,558,935
2019	2,191,004	867,562	3,058,566	1,458,996	691,734	2,150,730
2020	2,235,396	802,490	3,037,886	1,489,605	639,994	2,129,599
2021	2,331,215	718,284	3,049,499	1,478,781	584,658	2,063,439
2022-2026	11,155,000	2,325,361	13,480,361	6,870,000	2,104,725	8,974,725
2027-2031	5,700,000	550,202	6,250,202	5,230,000	986,425	6,216,425
2032-2036	-	-	-	3,160,000	198,413	3,358,413
Total	$ 25,836,155	$ 6,194,428	$ 32,030,583	$ 20,533,843	$ 5,918,423	$ 26,452,266

Certificates of Obligation

Fiscal Year Ending September 30,	Governmental Activities Principal	Interest	Total	Business Activities Principal	Interest	Total
2018	$ 1,020,000	$ 552,293	$ 1,572,293	$ 1,710,000	$ 1,417,251	$ 3,127,251
2019	800,000	532,268	1,332,268	1,175,000	701,858	1,876,858
2020	960,000	511,893	1,471,893	1,230,000	664,758	1,894,758
2021	970,000	488,593	1,458,593	1,175,000	625,858	1,800,858
2022-2026	5,210,000	2,066,410	7,276,410	6,590,000	2,499,211	9,089,211
2027-2031	5,685,000	1,216,960	6,901,960	5,600,000	1,520,772	7,120,772
2032-2036	4,135,000	315,707	4,450,707	5,905,000	703,177	6,608,177
2037-2041	-	-	-	770,000	25,025	795,025
Total	$ 18,780,000	$ 5,684,124	$ 24,464,124	$ 24,155,000	$ 8,157,911	$ 32,312,910

Tax Notes

Fiscal Year Ending September 30,	Governmental Activities Principal	Interest	Total
2018	$ 350,000	$ 21,329	$ 371,329
2019	360,000	15,134	375,134
2020	245,000	8,762	253,762
2021	250,000	4,425	254,425
Total	$ 1,205,000	$ 49,649	$ 1,254,650

Capital Leases

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2018	$ 17,932	$ 304	$ 18,236
Total	$ 17,932	$ 304	$ 18,236

As noted, the Town has legally defeased certain outstanding general obligation debt by placing funds into irrevocable trusts pledged to pay all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Town's long-term debt. Defeased debt as of September 30, 2017 consists of the following:

Series	Type	Amount
2008	Cerificate of Obligation	$ 5,190,000
2009	Certificate of Obligation	8,335,000
		$ 13,525,000

Compensated Absences

Substantially all vacation and sick leave is paid by the General Fund.

Discretely presented component units – Economic Development Corporation

Notes payable of the Little Elm Economic Development Corporation as of September 30, 2017 are as follows:

Payee	Description	Balance 09/30/17
Southside Bank	$7,780,815, payable to bank, made October 2011, payable in semi-annual installments of $272,111 through September 15, 2031, including interest at 3.5%.	$ 6,029,784
Southside Bank	$2,000,000, payable to bank, made May 2013, payable in semi-annual installments of $72,366 through September 15, 2031, including interest at 3.3%	1,619,456
Southside Bank	$2,543,750, payable to bank, made January 2015, payable in semi-annual installments of $87,965 through November 15, 2034, including interest at 3.4%	2,302,672
The Parker Corporation	$1,200,000 payable to company, made November 15, 2014, payable in annual installments of $400,000, final payment $200,000 November 15, 2017. No interest.	200,000
Government Capital Corporation	$3,048,000 payable to bank, made July 13, 2017 payable in quarterly installments of $34,138 through October 13, 2018, and then $51,389 through to final payment January 13, 2043, including interest at 4.48%	3,048,000
		$ 13,199,912

During the year ended September 30, 2017, EDC entered into a $3,048,000 note payable with the Government Capital Corporation. Proceeds from the note will be used to fund construction of the facility described in the direct-financing lease portion of Note 4.

Annual debt service requirements for the Economic Development Corporation loans are as follows:

Year	Principal	Interest	Total
2018	$ 731,622	$ 461,172	$ 1,192,794
2019	619,616	442,187	1,061,803
2020	641,229	420,574	1,061,803
2021	663,604	398,199	1,061,803
2022-2026	3,682,322	1,626,693	5,309,015
2027-2031	4,373,104	935,911	5,309,015
2032-2036	1,319,167	382,106	1,701,273
2037-2041	857,020	170,777	1,027,797
2042-2046	312,228	11,736	323,964
Total	$ 13,199,912	$ 4,849,355	$ 18,049,267

During 2015, the Town entered into an acquisition and funding agreement; whereby the Town acquired the Lincoln Park Utility System. As part of the funding for this transaction, EDC issued payment of $1,300,000 and entered into an agreement to pay the remaining $1,200,000 owed. The remaining balance as of September 30, 2017 was $200,000.

On December 15, 2015, the Town Council approved an Interlocal Chapter 380 Economic Development Program and Performance Agreement between the Town of Little Elm and the Little Elm EDC for payments related to the Utility Acquisition Agreement with Mustang Special Utility District (SUD). Mustang SUD agreed to purchase the system and assume the contracts for a cash consideration of $1,000,000 which is to be paid to the Town in ten equal yearly payments of $100,000 with the first installment payment to the Town to occur on July 1, 2016. The Town also covenants and agrees to pay to the Little Elm EDC the ten equal yearly payments. Accordingly a note payable / receivable has been recorded between the Town and Little Elm EDC. The remaining balance as of September 30, 2017 was $800,000.

Note 9. Pension Plan

Plan Description

The Town participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CFAR) that can be obtained at www.tmrs.com.

All eligible employees of the Town are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the Town granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the Town can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and Town matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service. A member is vested after 5 years. The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	106
Active employees	218
	360

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each Town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 13.05% and 13.61% in calendar years 2016 and 2017, respectively. The Town's contributions to TMRS for the year ended September 30, 2017 were $1,901,949, and were equal to the required contributions.

The Town's Net Pension Liability (NPL) was measured as of December 31, 2016 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Table, which male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Allocations

The Town's net pension liability, pension expense, and deferred outflows of resources related to TMRS have been allocated between governmental activities and business-type activities using a contribution-based method.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 24,756,105	$ 19,451,243	$ 5,304,862
Changes for the year:			
Service Cost	2,355,108	-	2,355,108
Interest	1,739,588	-	1,739,588
Change of benefit terms	-	-	-
Difference between expected and actual experience	298,105	-	298,105
Changes of assumptions	-	-	-
Contributions - employer	-	1,676,473	(1,676,473)
Contributions - employee	-	908,306	(908,306)
Net investment income	-	1,316,544	(1,316,544)
Benefit payments, including refunds of employee contributions	(323,979)	(323,979)	-
Administrative expense	-	(14,848)	14,848
Other changes	-	(778)	778
Net Changes	4,068,822	3,561,718	507,104
Balance at 12/31/2016	$ 28,824,927	$ 23,012,961	$ 5,811,966

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	$ 11,100,135	$ 5,811,966	$ 1,575,036

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at www.tmrs.com.

The general fund has typically been used to liquidate pension liabilities related to governmental activities.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the Town recognized pension expense of $2,337,985. At September 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 651,385	$ -
Changes in actuarial assumptions	61,750	-
Difference between projected and actual investment earnings	791,496	-
Contributions subsequent to the measurement date	1,488,896	-
Total	$ 2,993,527	$ -

The $1,488,896 reported as deferred outflows of resources related to pensions result from contributions subsequent to the measurement date and will reduce the net pension liability during the fiscal year ended September 30, 2018. The other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended Sept. 30:	Net deferred outflows (inflows) of resources
2018	$ 448,909
2019	448,911
2020	410,669
2021	129,523
2022	64,158
Thereafter	2,461
	$ 1,504,631

Note 10. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Town is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of 1,115 individual governmental units located within Texas. The Town pays an annual premium to the funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to $1,000,000 per occurrence with a $2,000,000 annual aggregate. There is a deductible of $5,000 due from the Town per claim for personnel liability claims and a $2,500 deductible for general liability.

There were no reductions in insurance coverage and the Town had not been declined coverage for any exposures or limits of liability and/or scheduled covered amounts from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

Note 11. Net Position / Fund Balance

In the government-wide financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either though the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

A. Restricted Net Position

Net position is reported in the government-wide statement of net position consisted of the following as of September 30, 2017:

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Units
Restricted for construction	$ 4,598,365	$ -	$ 4,598,365	$ -
Restricted by enabling legislation	1,511,812	2,014,670	3,526,482	5,877,808
Restricted for streetscape	507,679	-	507,679	-
Restricted for debt service	534,717	-	534,717	165,466
Restricted for other:				
Grant requirements	214,289	-	214,289	-
Donor stipulations	50,704	-	50,704	-
Forfeitures	46,214	-	46,214	-
Total restricted for other	311,207	-	311,207	-
	$ 7,463,780	$ 2,014,670	$ 9,478,450	$ 6,043,274

B. Fund Balance

The composition of the governmental fund balances at September 30, 2017 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Valencia Capital Project	Non major Governmental Funds	Total Governmental Funds
Non-spendable:						
Inventory	$ 52,633	$ -	-	$ -	$ -	$ 52,633
Prepaids	261,066	-	-	-	-	261,066
Total non-spendable	313,699	-	-	-	-	313,699
Restricted for:						
Debt service	-	746,213	-	-	-	746,213
Street maintenance	-	-	-	-	354,407	354,407
Police	-	-	-	-	26,742	26,742
Fire	-	-	-	-	17,983	17,983
Parks and Rec	-	-	-	-	7,517	7,517
Stormwater drainage	-	-	-	-	586,157	586,157
Court	-	-	-	-	97,191	97,191
Red Light camera	-	-	-	-	134,172	134,172
Library	-	-	-	-	25,958	25,958
Animal Control	-	-	-	-	2,698	2,698
Forfeiture	-	-	-	-	46,214	46,214
Public, Education, Govt. Access	-	-	-	-	182,498	182,498
Streetscape	-	-	507,679	-	-	507,679
Equipment Replacement	-	-	-	-	-	-
Economic Development	-	-	-	-	260,210	260,210
Child Safety	-	-	-	-	87,578	87,578
Capital projects	-	-	6,367,455	1,842,265	-	8,209,720
Total restricted	-	746,213	6,875,134	1,842,265	1,829,325	11,292,937
Committed to:						
Street development	-	-	409,582	-	-	409,582
Total committed	-	-	409,582	-	-	409,582
Unassigned	15,660,796	-	-	-	(6,306)	15,654,490
	$ 15,974,495	$ 746,213	$ 7,284,716	$ 1,842,265	$ 1,823,019	$ 27,670,708

Note 12. Commitments and Contingencies

In March 2003, the Town entered into a thirty-year contract with the North Texas Municipal Water District (NTMWD) for the purchase of treated water. Under the terms of this contract, the Town is obligated to make a minimum annual payment (adjusted annually) in return for a minimum volume of gallons of water per year. During the year ended September 30, 2017, the cost of water purchased under this contract was $3,483,627.

The Town also entered into a water transmission facilities contract in March 2003 with the NTMWD. Under the terms of this contract, the NTMWD is to own, operate and maintain water transmission facilities located near the eastern border of the Town. NTMWD issued its Water Transmission Facilities Contract Revenue Bonds, Series 2003 (Town of Little Elm Project), in the amount of $5,390,000 for the purpose of acquiring and constructing the transmission facility. The obligation of the Town was to make payments to NTMWD under contract terms until all of the bonds are paid and retired and is no longer outstanding. During the year ended September 30, 2013, the NTMWD issued its Water Transmission Facilities Contract Revenue Refunding Bonds, Series 2013 (Town of Little Elm) in the amount of $3,555,000 for the purpose of defeasing the Series 2003 obligations. During the year ended September 30, 2017, the payments made under this contract were $421,721.

At September 30, 2017 and subsequent to year end, the Town is committed to numerous contracts for capital improvements totaling approximately $12,595,000.

Note 13. Little Elm Tax Increment Reinvestment Zones and Public Improvement District

The Town Council created and participates in a total of four Tax Increment Reinvestment Zones (TIRZ)#3, #4, #5, and #6). The two original TIRZ created in 2008, referred to as TIRZ #1 and TIRZ #2, were terminated in November 2013. Subsequent to the creation of the two TIRZ zones, the Council on February 3, 2009 authorized, and established the creation of the Little Elm Redevelopment Authority ("LERA"). The LERA was dissolved in February 2014. Upon the termination of TIRZ #1 in 2013, the Town created TIRZ #3 for the "Lakefront District" which consists of approximately 847 acres and has a base taxable assessed value of $46,554,879.

The Town Council created TIRZ #4 in December 2013 for the Valencia on the Lake multi-phase residential development of approximately 447.942 acres. The Town also created the Valencia Public Improvement District ("PID") in September 2013 to finance certain public infrastructure improvements. The PID and the TIRZ boundaries are contiguous as the goal of the TIRZ is to assist with the development. The Town issued two series of special assessment revenue bonds (the "PID Bonds") in the amounts of $12,240,000 and $4,000,000 in February 2014 that are secured solely from assessment revenues generated within the Valencia PID. The Bonds funded Major Improvement projects to include certain roadway, water, wastewater and drainage improvements.

The Town Council created TIRZ #5 in December 2014 with a base value of Real Property of $6,728,553. The TIRZ #5 zone has removed sections and added additional property to create the existing 943.5 acre zone. The Hillstone Pointe PID No. 2 was created in June 2015. It is located at the northern section of TIRZ #5 and its boundaries are not contiguous. TIRZ #5 and Hillstone Pointe PID No. 2 are located near the 380 Corridor within the newly annexed area on the northern boundary of the Town of Little Elm. The Town issued $6,000,000 in special assessment revenue bonds (the "PID Bonds") for Phases #1-la thru approval of Ordinance No. 1422 on October 17, 2017. The Bonds are secured solely from assessment revenues generated within the Hillstone Pointe PID No. 2. The Bonds funded Phase 1 and Phase 1A improvements which included certain roadway, water system, storm drainage, sanitary sewer, screening and landscaping and other soft and miscellaneous improvements.

The Town's third PID was created by the Town on October 2016 identified as the Rudman Tract Public Improvement District to finance the costs of certain public improvements for the benefit of property in the PID. TIRZ #6 was created in November 2016 to be contiguous with the Rudman Tract to help the area develop. The area encompasses 146.8 acres. The Town approved reimbursement obligations to finance the public improvements provided for the benefit of the property in the PID. Phase #1 Reimbursement Agreement of $7,300,000 and Phase #2 Major Improvements Reimbursement Agreement of $2,075,000 are secured by special assessments. The Town consented to the assignment of the reimbursement amounts between the OPLE Prairie Oaks Development, Inc. and the Public Finance Authority ("PFA") in May 2017. Bonds were issued by the Wisconsin PFA for the development in May 2017.

The Town on December 20, 2016 created the fourth PID for the Town of Little Elm. This PID is located at the Town's northern border next to Highway 380 and will be identified as Lakeside Estates PID No. 2. A TIRZ was not approved to assist with the development of this project. The Town authorized the issuance and sale of special assessment revenue bonds, Series 2017 in December 2017 for $4,700,000. The Bonds funded improvements which included certain roadway, water distribution system, storm drainage, sanitary sewer, screening and other PID Bond issuance costs.

The TIRZ and PID's in respect to their duration and the projects to be undertaken and other terms and conditions are set forth in the respective ordinances creating such zones and the public improvement districts. Although current plans provide that project costs for the zones will be paid or reimbursed from tax increments as collected, the Town may determine at a future date to issue bonds or other obligations secured by or payable in whole or in part from Tax Increment Revenues. The owners of the PID Bonds do not have the right to demand payment from any funds of the Town other than the pledged revenues, consisting primarily of assessments levied and collected against the property within the specific PID, and the Town has no obligation to pay the PID Bonds from any other source.

Note 14. Tax Abatements and Economic Incentives

The Town enters into economic development agreements designed to promote development, stimulate commercial activity, enhance the property tax base, and increase the economic vitality. These programs rebate property taxes and sales tax. The Town's economic development agreements are authorized under the Texas Local Government Code Chapter 311 (Tax Increment Financing Act) and Chapter 380 (Economic Development Programs). Recipients may be eligible to receive economic assistance based upon employment impact, economic or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, expanding operations, renewing facility leases or bringing targeted development to the Town. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The Town has two categories of economic development agreements:

A. General Economic Development

The Town enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or a percentage of property taxes or sales tax received by the Town. For fiscal year 2017, the Town rebated $387,358 in sales taxes and $86,907 of property taxes.

B. Tax Increment Financing

Tax Increment Financing (TIF) is a tool to help finance public improvements and development projects within a defined area. A municipality makes an area eligible for TIF by designating it a Tax Increment Reinvestment Zone (TIRZ). Within the designated zone all of the incremental tax revenue growth flows to an established tax increment fund to help pay for public improvements within the zone. The Town has adopted four Tax Increment Reinvestment Zones (TIRZ) in accordance with the provisions of the Tax Increment Financing Act, V.T.C.A., Tax Code, Chapter 311. The four active Tax increment reinvestment zones include TIRZ #3, #4, #5 and #6. The purpose of TIRZ #3 is to help pay for project costs associated with the development of the Town's Lakefront District. The Zone's projected costs are primarily related to park and park improvements, streets, a conference center, utilities, a recreation center, landscaping, trails, a plaza and lighting. TIRZ #4, #5 and #6 were created to facilitate the development of the currently vacant land with retail and single family developments while creating a unique cohesive development that builds on the high development standards already established within the Town.

Specific project costs may include but is not limited to roads, water, sewer and storm water management. In fiscal year 2017, the Town made $239,812 in payments to the TIRZ funds. Denton County agreed to participate in TIRZ 3 for a period of five years and contributed $16,162 in fiscal year 2017.

Note 15. Subsequent Events

On October 1, 2017, the Town issued $6,000,000 Special Assessment Revenue Bonds, Series 2017 (Hillstone Pointe Public Improvement District No. 2 Phases 1-1A Project). Proceeds from the sale of the bonds will be used for the purpose of paying a portion of the costs of the Phase 1-1A Improvements.

On December 1, 2017, the Town issued $4,700,000 Special Assessment Revenue Bonds, Series 2017 (Lakeside Estates Public Improvement District No. 2 Project). Proceeds from the sale of the bonds will be used for the purpose of paying a portion of the costs of construction, acquisition or purchase of the Authorized Improvements.

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Required Supplementary Information

Town of Little Elm, Texas
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget (GAAP Basis) and Actual – General Fund
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance with Budget
Revenues:				
Taxes:				
Property taxes, penalty, and interest	$ 13,468,523	$ 13,468,523	$ 13,940,325	$ 471,802
General sales and use taxes	3,089,200	3,089,200	3,327,049	237,849
Other taxes and franchise fees	2,070,863	2,070,863	2,078,753	7,890
Licenses and permits	2,971,790	2,971,790	4,501,472	1,529,682
Intergovernmental revenue	326,810	778,521	806,708	28,187
Charges for services	2,643,482	2,719,852	3,169,497	449,645
Fines	512,100	512,100	653,524	141,424
Interest	65,530	65,530	139,061	73,531
Miscellaneous	291,170	291,170	355,872	64,702
Total revenues	25,439,468	25,967,549	28,972,261	3,004,712
Expenditures:				
General government:				
Town council	75,251	75,251	43,117	32,134
Town manager	1,199,503	1,043,998	870,566	173,432
Town secretary	161,727	162,102	145,390	16,712
Municipal court	394,272	394,828	347,639	47,189
Finance	1,375,986	1,843,443	1,425,128	418,315
Information technology	917,699	915,127	825,897	89,230
Town attorney	340,000	340,000	283,804	56,196
Total general government	4,464,438	4,774,749	3,941,541	833,208
Community services:				
Inspections	2,209,614	2,389,923	2,275,030	114,893
Total community services	2,209,614	2,389,923	2,275,030	114,893
Public safety:				
Police	6,497,337	6,478,611	5,984,116	494,495
Fire	6,337,354	6,836,263	6,449,682	386,581
Animal control	514,224	515,172	417,242	97,930
Total public safety	13,348,915	13,830,046	12,851,040	979,006
Public works:				
Streets	1,553,973	1,862,546	1,477,934	384,612
Fleet maintenance	344,220	457,672	408,551	49,121
Facility maintenance	694,741	819,010	660,006	159,004
Total public works	2,592,934	3,139,228	2,546,491	592,737

Town of Little Elm, Texas
Schedule of Revenues, Expenditures and Changes (Concluded)
In Fund Balances - Budget (GAAP Basis) and Actual – General Fund
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance with Budget
Culture and recreation:				
Library	$ 530,808	$ 526,014	$ 492,746	$ 33,268
Parks and recreation	3,236,925	3,382,419	3,060,505	321,914
Total culture and recreation	3,767,733	3,908,433	3,553,251	355,182
Capital outlay	351,286	1,360,724	1,316,232	44,492
Total expenditures	26,734,920	29,403,103	26,483,585	2,919,518
Excess (deficiency) of revenues over (under) expenditures	(1,295,452)	(3,435,554)	2,488,676	5,924,230
Other financing sources (uses):				
Transfers in	1,916,150	2,114,150	2,109,670	(4,480)
Proceeds from sale of assets	10,500	10,500	31,663	21,163
Insurance recovery	-	182,340	1,016,343	834,003
Transfers out	(121,800)	(1,121,800)	(1,000,000)	121,800
Total other financing sources (uses)	1,804,850	1,185,190	2,157,676	972,486
Revenues and other financing sources over (under) expenditures and other financing uses	509,398	(2,250,364)	4,646,352	6,896,716
Fund balance at beginning of year	11,328,143	11,328,143	11,328,143	-
Fund balance, end of year	$ 11,837,541	$ 9,077,779	$ 15,974,495	$ 6,896,716

Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund, debt service fund, and water and sewer fund. All annual appropriations lapse at fiscal year-end.

The Town follows these procedures in establishing the budgetary data reflected in the basic financial statements:

(1) Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditures and the means of financing them.

(2) Public hearings are conducted to obtain taxpayer comments.

(3) Prior to October 1, the budget is legally enacted through the passage of an ordinance.

(4) The Town Manager is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the Town Council.

Town of Little Elm, Texas

Schedule of Changes in Net Pension Liability and Related Ratios –
Texas Municipal Retirement System
Last Three Measurement Periods

	2014	2015	2016
Total Pension Liability:			
Service cost	$ 1,781,572	$ 2,120,510	$ 2,355,108
Interest	1,306,279	1,544,900	1,739,588
Change in benefit terms	-	-	-
Difference between expected and actual experience	511,427	187,346	298,105
Change in assumptions	-	90,206	-
Benefit payments	(326,527)	(393,218)	(323,979)
Net change in total pension liability	3,272,751	3,549,744	4,068,822
Total Pension Liability-beginning	17,933,610	21,206,361	24,756,105
Total Pension Liability-ending	21,206,361	24,756,105	28,824,927
Plan Fiduciary Net Position			
Contributions - employer	1,185,583	1,535,872	1,676,473
Contributions - nonemployer	774,891	838,620	908,306
Net investment income	857,339	25,774	1,316,544
Benefit payments	(326,527)	(393,218)	(323,979)
Administrative income	(8,946)	(15,693)	(14,848)
Other	(736)	(776)	(800)
Net change in plan fiduciary net position	2,481,604	1,990,579	3,561,696
Plan fiduciary net position -beginning	14,979,082	17,460,686	19,451,265
Plan fiduciary net position - ending	17,460,686	19,451,265	23,012,961
Town's net pension liability -ending	$ 3,745,675	$ 5,304,840	5,811,966
Plan fiduciary net position as a % of total pension liability	82.34%	78.57%	79.84%
Covered payroll	$ 11,065,942	$ 11,980,280	$ 12,975,800
Town's net pension liability as a % of employee payroll	33.85%	44.28%	44.79%

Note: Only three years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement. Additional years' information will be displayed as it becomes available."

Town of Little Elm, Texas
Schedule of Contributions –
Texas Municipal Retirement System
Last Three Fiscal Years

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
Actuarially determined contribution	$ 1,450,482	$ 1,721,094	$ 1,901,949
Contribution in relation of the actuarially determined contribution	1,450,482	1,721,094	1,901,949
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 12,244,425	$ 13,214,555	$ 14,104,876
Contributions as a percentage of covered employee payroll	11.85%	13.02%	13.48%

Note: GASB #68, paragraph 81.2.b requires that the data in this schedule be presented as of the Town's fiscal year as opposed to the time period covered by the measurement date.

Note: Only three years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement. Additional years' information will be displayed as it becomes available."

Town of Little Elm, Texas
Notes to Required Supplementary Information -
Texas Municipal Retirement System
For the Year Ended September 30, 2017

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and one day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Other information	There were no benefit changes during the year.

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Combining and Individual Fund Financial Statements and Schedules

Town of Little Elm, Texas
Budgetary Comparison Schedule (GAAP Basis)
General Obligation Debt Service Fund
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance from Final Budget
Revenues:				
Property taxes	$ 4,579,271	$ 4,579,271	$ 4,670,992	$ 91,721
Intergovernmental	661,605	661,605	680,355	18,750
Interest	15,000	15,000	18,027	3,027
Total revenues	5,255,876	5,255,876	5,369,374	113,498
Expenditures:				
Debt service:				
Principal retirement	2,376,896	3,291,897	3,291,897	-
Interest and fiscal charges	1,141,665	1,819,349	1,784,447	(34,902)
Other debt service costs	1,592,684	-	-	-
Total expenditures	5,111,245	5,111,246	5,076,344	(34,902)
Deficiency of revenues under expenditures	144,631	144,630	293,030	148,400
Net change in fund balance	144,631	144,630	293,030	148,400
Fund balances, beginning	453,183	453,183	453,183	-
Fund balances, ending	$ 597,814	$ 597,813	$ 746,213	$ 148,400

Nonmajor Governmental Funds

Special Revenue Funds

Grants Fund
Accounts for donations made by civic organizations, businesses, and citizens for specific uses which include the library, animal control center, police, and fire departments. Donations are generally donated for the purchase of equipment.

Donations Fund
Accounts for grants distributed to the Town by the Texas State Comptroller of Public Accounts, the Department of Homeland Security, and other organizations such as the Texas Library Archives, and the Law Enforcement Officer Safety Education Program.

Forfeitures Fund
Accounts for fines and forfeiture of property resulting from criminal cases within the boundaries of the Town that have been adjudicated by the State of Texas in District Court.

Street Maintenance Fund
Accounts for the Town's 1/4 cent sales tax, which was approved by the citizens of Little Elm in May of 2009 and is restricted for the purpose of street maintenance.

Red Light Camera Fund
Accounts for proceeds and expenses related to red-light cameras.

Stormwater Drainage Fund
Accounts for fees charged for storm water drainage services.

PEG Fund
Accounts for fees used to defer the cost of streaming Council meeting videos of all meetings to meet the objective of local government transparency.

SAFER Grant Fund
Accounts for proceeds and expenditures relating to the SAFER grant.

Little Elm Parks Fund
Accounts for fees used to help fund parks and recreational spaces.

TIRZ #3 Fund
Accounts for proceeds and expenditures relating to Little Elm Tax TIRZ # 3.

TIRZ #4 Fund
Accounts for proceeds and expenditures relating to Little Elm Tax TIRZ # 4.

TIRZ #5 Fund
Accounts for proceeds and expenditures relating to Little Elm TIRZ# 5.

Highway 380 MMD FUND
Accounts for the Town's contributions to the Highway 380 Municipal Management District (MMD).

Town of Little Elm, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2017

	Grants	Donations	Forfeitures	Street Maintenance	Red Light Camera
ASSETS					
Cash and cash equivalents	$ 186,314	$ 50,930	$ 46,214	$ 191,004	$ 217,404
Receivables (net of allowance for uncollectibles)					
Taxes	-	-	-	163,403	-
Due from other governments	-	-	-	-	-
Other	29,060	-	-	-	74,111
Total assets	$ 215,374	$ 50,930	$ 46,214	$ 354,407	$ 291,515
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ 1,085	$ 226	$ -	$ -	$ 115,812
Due to other funds	-	-	-	-	-
Total liabilities	1,085	226	-	-	115,812
Deferred inflows of resources:					
Unavailable resources	-	-	-	-	41,531
Total deferred inflows of resources	-	-	-	-	41,531
Fund balances					
Restricted	214,289	50,704	46,214	354,407	134,172
Unassigned	-	-	-	-	-
Total fund balances	214,289	50,704	46,214	354,407	134,172
Total liabilities, deferred inflows of resources and fund balances	$ 215,374	$ 50,930	$ 46,214	$ 354,407	$ 291,515

Stormwater Drainage	PEG Fund	SAFER Grant	Little Elm Parks	Little Elm TIRZ#3	Little Elm TIRZ#4	Little Elm TIRZ#5	HWY 380 MMD	Total Nonmajor Governmental Funds
$ 341,866	$ 169,398	$ 25,585	$ 673	$ 174,006	$ 42,932	$ 43,245	$ 2,204	$ 1,491,775
-	-	-	-	40,702	-	-	-	204,105
128,282	-	352,533	-	-	-	-	-	480,815
118,812	13,100	-	-	-	-	-	-	235,083
$ 588,960	$ 182,498	$ 378,118	$ 673	$ 214,708	$ 42,932	$ 43,245	$ 2,204	$ 2,411,778
$ 2,803	$ -	$ 8,927	$ -	$ -	$ 42,878	$ -	$ -	$ 171,731
-	-	375,497	-	-	-	-	-	375,497
2,803	-	384,424	-	-	42,878	-	-	547,228
-	-	-	-	-	-	-	-	41,531
-	-	-	-	-	-	-	-	41,531
586,157	182,498	-	673	214,708	54	43,245	2,204	1,829,325
-	-	(6,306)	-	-	-	-	-	(6,306)
586,157	182,498	(6,306)	673	214,708	54	43,245	2,204	1,823,019
$ 588,960	$ 182,498	$ 378,118	$ 673	$ 214,708	$ 42,932	$ 43,245	$ 2,204	$ 2,411,778

Town of Little Elm, Texas

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance- Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Grants	Donations	Forfeitures	Street Maintenance	Red Light Camera
Revenues:					
Taxes					
Property taxes, penalty, and interest	$ -	$ -	$ -	$ -	$ -
General sales and use taxes	-	-	-	905,266	-
Franchise taxes and other	-	-	-	-	-
Charges for service	-	-	-	-	-
Intergovernmental	6,400	-	-	-	-
Fines	77,551	-	-	-	324,004
Interest	1,370	358	255	1,851	1,280
Contributions	-	33,444	-	-	-
Other revenues	-	12,200	33,105	-	-
Total revenues	85,321	46,002	33,360	907,117	325,284
Expenditures:					
Current:					
General government	-	-	14,949	-	-
Public safety	30,068	3,802	-	-	275,329
Public works	-	-	-	-	-
Culture and recreation	4,770	16,805	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	34,838	20,607	14,949	-	275,329
Excess (deficiency) of revenues over (under) expenditures	50,483	25,395	18,411	907,117	49,955
Other financing uses:					
Transfers in	-	-	-	-	-
Transfers out	(5,520)	-	-	(741,000)	-
Total other financing uses	(5,520)	-	-	(741,000)	-
Net changes in fund balance	44,963	25,395	18,411	166,117	49,955
Fund balance at beginning of year	169,326	25,309	27,803	188,290	84,217
Fund balance, end of year	$ 214,289	$ 50,704	$ 46,214	$ 354,407	$ 134,172

Stormwater Drainage	PEG Fund	SAFER Grant	Little Elm Parks	Little Elm TIRZ#3	Little Elm TIRZ#4	Little Elm TIRZ#5	HWY 380 MMD	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 102,262	$ 42,878	$ 39,607	$ -	$ 184,747
-	-	-	-	71,228	-	-	-	976,494
-	55,136	-	-	-	-	-	-	55,136
534,831	-	-	277,749	-	-	-	-	812,580
130,975	-	695,050	-	-	-	-	-	832,425
-	-	-	-	-	-	-	-	401,555
2,217	1,203	-	673	1,012	54	28	1,786	12,087
-	-	-	-	-	-	-	-	33,444
556	-	-	-	-	-	-	-	45,861
668,579	56,339	695,050	278,422	174,502	42,932	39,635	1,786	3,354,329
-	-	-	-	60,419	-	-	-	75,368
-	-	701,356	-	-	-	-	-	1,010,555
632,924	-	-	-	-	-	-	-	632,924
-	-	-	-	-	-	-	-	21,575
-	17,773	-	-	-	54,045	-	-	71,818
632,924	17,773	701,356	-	60,419	54,045	-	-	1,812,240
35,655	38,566	(6,306)	278,422	114,083	(11,113)	39,635	1,786	1,542,089
75,000	-	-	-	-	-	-	-	75,000
-	-	-	(277,749)	-	-	-	-	(1,024,269)
75,000	-	-	(277,749)	-	-	-	-	(949,269)
110,655	38,566	(6,306)	673	114,083	(11,113)	39,635	1,786	592,820
475,502	143,932	-	-	100,625	11,167	3,610	418	1,230,199
$ 586,157	$ 182,498	$ (6,306)	$ 673	$ 214,708	$ 54	$ 43,245	$ 2,204	$ 1,823,019

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Agency Funds

PID AGENCY FUND – purpose is to account for bond proceeds, assessments, and related debt associated with the issuance of bonds issued by the Town as an agent for the Valencia Public Improvement District.

Town of Little Elm, Texas
Statement of Changes in Assets and Liabilities
For The Year Ended September 30, 2017

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
ASSETS				
Cash and cash equivalents	$ 2,234,115	$ 506,240	$ -	$ 2,740,355
Total assets	$ 2,234,115	$ 506,240	$ -	$ 2,740,355
LIABILITIES				
Liability to bond holders	$ 2,234,115	$ 506,240	$ -	$ 2,740,355
Total liabilities	$ 2,234,115	$ 506,240	$ -	$ 2,740,355

Discretely Presented Component Units

ECONOMIC DEVELOPMENT CORPORATION – purpose is to promote and develop new and expanded business enterprises to promote and encourage employment in the furtherance of public welfare within the Town.

COMMUNITY DEVELOPMENT CORPORATION – purpose is to improve and expand park and recreational facilities from revenue generated through the Type 4B sales tax.

Town of Little Elm, Texas
Balance Sheet
Economic Development Corporation
September 30, 2017

ASSETS	
Cash and cash equivalents	$ 3,795,360
Receivables:	
Sales taxes	326,806
Leases	3,048,000
Note receivable from primary government	800,000
Total assets	$ 7,970,166
LIABILITIES	
Accounts payable and other current liabilities	$ 1,813,068
Total liabilities	1,813,068
DEFERRED INFLOWS OF RESOURCES	
Unavailable resources -note receivable	800,000
Unavailable resources -lease receivable - principal	3,048,000
Total deferred inflows of resources	3,848,000
FUND BALANCES	
Restricted	2,309,098
Total fund balances	2,309,098
Total liabilities, deferred inflows of resources and fund balances	$ 7,970,166

Town of Little Elm, Texas
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
Economic Development Corporation
September 30, 2017

Total fund balance - governmental funds	$ 2,309,098
Amounts reported in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds financial statements.	10,309,703
Long-term receivables from the primary government are not considered current financial resources and, therefore, the recognition of revenue on such receivables is deferred in the governmental funds financial statements.	800,000
Long-term leases receivables are not considered current financial resources and, therefore, the recognition of revenue on such receivables is deferred in the governmental funds financial statements.	3,048,000
Notes payable are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.	(13,234,145)
Accrued interest on governmental activities debt is not reported in the governmental funds financial statements until paid.	(79,592)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 3,153,064

Town of Little Elm, Texas
Statement of Revenues, Expenditures and Changes
In Fund Balance
Economic Development Corporation
For the Year Ended September 30, 2017

	Economic Development Corporation
Revenues:	
Taxes	
General sales and use taxes	$ 1,721,448
Intergovernmental	221,800
Interest	5,618
Other revenues	94,551
Total revenues	2,043,417
Expenditures:	
Current:	
General government	113,750
Economic and physical development	2,277,618
Principal	898,834
Interest and other fiscal charges	381,810
Total expenditures	3,672,012
Deficiency of revenues under expenditures	(1,628,595)
Other financing sources/uses:	
Loan proceeds	3,048,000
Total other financing sources (uses)	3,048,000
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	1,419,405
Fund balance, beginning of year	889,693
Fund balance, end of year	$ 2,309,098

Town of Little Elm, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
Economic Development Corporation
For the Year Ended September 30, 2017

Net change in fund balances - governmental funds	$ 1,419,405
Amounts reported for component unit funds in the statement of activities are different because:	
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(25,243)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term	898,834
Long-term receivables from the primary government are not considered current financial resources and, therefore, the recognition of revenue on such receivables is deferred in the governmental funds financial statements. This amount represents the change in deferred inflows related to this receivable.	(100,000)
Some expenses reported in the statement of activities such as compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(2,495)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 2,190,501

Town of Little Elm, Texas
Balance Sheet
Community Development Corporation
September 30, 2017

ASSETS		
Cash and cash equivalents	$	241,345
Receivables		163,403
Total assets	$	404,748
FUND BALANCE		
Unrestricted	$	404,748
Total fund balance		404,748
Total liabilities and fund balance	$	404,748

Town of Little Elm, Texas
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
Community Development Corporation
September 30, 2017

Total fund balance - governmental funds	$	404,748
No differences between balance sheet and statement of net position.		-
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	404,748

Town of Little Elm, Texas
Statement of Revenues, Expenditures and Changes
In Fund Balance
Community Development Corporation
For the Year Ended September 30, 2017

Revenues:		
Taxes		
General sales and use taxes	$	884,915
Interest		4,592
Total revenues		889,507
Expenditures:		
Current:		
General government		166,000
Economic and physical development		88,208
Principal		596,605
Total expenditures		850,813
Net change in fund balance		38,694
Fund balance (deficit), beginning of year		366,054
Fund balance, end of year	$	404,748

Town of Little Elm, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
Community Development Corporation
For the Year Ended September 30, 2017

Net change in fund balances - governmental funds	$	38,694
Amounts reported for component unit funds in the statement of activities are different because:		
No differences between change in fund balance and change in net position		-
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	38,694

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Statistical Section

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STATISTICAL SECTION

This part of the Town of Little Elm's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the Town's overall financial health. This information has not been audited by the independent auditor.

Contents — **Table #s**

Financial Trends — **A-1 to A-4**
These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity — **B-1 to B-5**
These tables contain information to help the reader assess the Town's two most significant local revenue sources, the property and sales taxes.

Debt Capacity — **C-1 to C-5**
These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Economic and Demographic Information — **D-1 to D-2**
These tables offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information — **E-1 to E-3**
These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town

Source: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in fiscal year 2004: tables presenting government-wide information include information beginning in that year.

Town of Little Elm, Texas
Net Position by Component
Last Ten Fiscal Years (Unaudited)
(Accrual Basis of Accounting)

	Fiscal Year			
	2008 [a]	2009	2010	2011
Governmental activities				
Net investment in capital assets	$ 34,946,833	$ 42,980,036	$ 47,903,977	$ 50,204,248
Restricted	2,020,133	456,110	2,111,443	2,752,458
Unrestricted	7,104,984	5,297,621	2,902,375	5,760,237
Total governmental activities net assets [a]	$ 44,071,950	$ 48,733,767	$ 52,917,795	$ 58,716,943
Business-type activities				
Net investment in capital assets	$ 11,108,371	$ 12,953,757	$ 17,697,671	$ 18,965,595
Restricted	3,739,824	6,226,635	3,020,299	3,420,742
Unrestricted	5,409,835	2,624,238	3,233,394	4,738,358
Total business-type activities net assets	$ 20,258,030	$ 21,804,630	$ 23,951,364	$ 27,124,695
Primary government				
Net investment in capital assets	$ 46,055,204	$ 55,933,793	$ 65,601,648	$ 69,169,843
Restricted	5,759,957	6,682,745	5,273,739	6,173,200
Unrestricted	12,514,819	7,921,859	5,993,772	10,498,595
Total primary governmental net assets	$ 64,329,980	$ 70,538,397	$ 76,869,159	$ 85,841,638

Source: Comprehensive Annual Financial Report

Notes: [a] Fiscal year 2008 net assets were restated for prior period adjustments and reclassification of funds.

Table A-1

Fiscal Year						
2012	2013	2014	2015	2016	2017
$ 52,815,876	$ 63,117,552	$ 69,289,961	$ 77,934,036	89,811,757	$ 103,484,651
4,171,809	1,456,437	11,901,273	13,440,890	8,767,764	7,463,780
8,639,473	13,561,477	13,397,901	5,819,571	9,215,510	13,592,539
$ 65,627,158	$ 78,135,466	$ 94,589,135	$ 97,194,497	$ 107,795,031	$ 124,540,970
$ 23,568,624	$ 27,797,915	$ 33,308,054	$ 38,387,629	$ 37,228,657	$ 38,221,407
2,678,605	1,545,571	1,286,723	150,598	1,104,061	2,014,670
3,395,564	2,792,130	1,253,792	4,209,613	6,738,911	6,966,515
$ 29,642,793	$ 32,135,616	$ 35,848,569	$ 42,747,840	$ 45,071,629	$ 47,202,592
$ 76,384,500	$ 90,915,467	$ 102,598,015	$ 116,321,665	$ 127,040,414	$ 141,706,058
6,850,414	3,002,008	13,187,996	13,591,488	9,871,825	9,478,450
12,035,037	16,353,607	14,651,693	10,029,184	15,954,421	20,559,054
$ 95,269,951	$ 110,271,082	$ 130,437,704	$ 139,942,337	$ 152,866,660	$ 171,743,562

Town of Little Elm, Texas
Changes in Net Position
Last Ten Fiscal Years (Unaudited)
(Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	$ 1,880,759	$ 2,286,941	$ 2,540,722	$ 2,464,445
Public safety	5,756,355	6,431,906	1,530,292	7,190,910
Public works	4,155,141	3,990,855	8,839,262	4,435,870
Culture and recreation	1,091,693	1,358,796	2,853,899	1,483,761
Community services	937,464	1,086,952	1,346,593	1,364,740
Interest on long-term debt	908,921	1,058,944	1,385,300	1,715,179
Total governmental activities expenses	$ 14,730,333	$ 16,214,394	$ 18,496,068	$ 18,654,905
Business-type activities:				
Water and sewer	$ 6,474,575	$ 6,817,172	$ 6,763,043	$ 6,950,429
Solid waste	-	1,827,534	1,641,111	1,465,030
Total business-type activities expenses	6,474,575	8,644,706	8,404,154	8,415,459
Total primary government expenses	$ 21,204,908	$ 24,859,100	$ 26,900,222	$ 27,070,364
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	$ 2,268,637	$ 413,046	$ 139,313	$ 168,475
Public safety	898,538	576,564	854,090	1,049,754
Public works	1,264,387	-	29,398	37,297
Culture and recreation	-	43,395	55,853	115,981
Community services	-	1,028,110	1,386,646	1,620,331
Operating grants and contributions	304,349	182,174	308,121	220,617
Capital grants and contributions	8,360	4,398,954	4,705,395	4,767,318
Total governmental activities program revenues	$ 4,744,271	$ 6,642,243	$ 7,478,816	$ 7,979,773
Business-type activities:				
Charges for services:				
Water and sewer	$ 6,694,244	$ 8,565,303	$ 8,755,653	$ 9,743,392
Solid waste	-	1,845,096	1,965,611	1,645,533
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	473,422
Total business-type activities program revenues	$ 6,694,244	$ 10,410,399	$ 10,721,264	$ 11,862,347
Total primary government program revenues	$ 11,438,515	$ 17,052,642	$ 18,200,080	$ 19,842,120

Source: Comprehensive Annual Financial Report

Notes: [b] General Revenue classifications modified.

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 2,576,483	$ 5,867,144	$ 5,289,827	$ 6,085,289	$ 12,682,196	$ 7,030,639
8,002,813	9,335,742	10,433,709	12,583,312	16,154,573	14,962,540
5,344,115	6,021,562	6,499,936	6,956,858	4,894,523	4,620,071
1,674,950	2,667,072	3,104,651	2,424,055	3,850,034	3,813,775
1,238,188	1,638,809	1,918,695	2,408,167	2,412,674	2,562,510
1,655,901	1,473,694	3,388,234	1,707,491	1,552,317	1,705,104
$ 20,492,450	$ 27,004,023	$ 30,635,052	$ 32,165,172	$ 41,546,317	$ 34,694,639
$ 8,576,299	$ 8,938,110	$ 9,018,321	$ 9,597,743	12,813,910	13,091,003
1,542,812	1,828,285	1,983,776	1,732,336	1,797,240	1,885,091
10,119,111	10,766,395	11,002,097	11,330,079	14,611,150	14,976,094
$ 30,611,561	$ 37,770,418	$ 41,637,149	$ 43,495,251	$ 56,157,467	$ 49,670,733
$ 203,194	$ 225,645	$ 142,850	$ 191,432	239,193	480,986
1,316,490	1,421,556	1,408,432	1,682,570	2,096,745	2,598,197
36,968	18,219	52,660	163,616	999,412	820,186
229,245	367,880	548,339	799,635	845,848	1,312,017
3,067,120	3,219,516	4,826,558	5,265,753	5,448,892	5,284,136
296,234	8,481,366	877,283	2,330,627	1,888,507	2,486,348
5,072,076	8,196,369	20,153,631	4,480,887	15,400,107	8,269,408
$ 10,221,327	$ 21,930,551	$ 28,009,753	$ 14,914,520	$ 26,918,704	$ 21,251,278
$ 10,088,464	$ 10,843,125	$ 11,206,850	$ 13,023,491	14,156,856	15,381,528
1,758,790	1,919,103	2,038,990	2,157,342	2,247,375	2,329,542
-	22,395	-	23,964	-	50
2,382,570	1,828,359	3,595,837	3,593,256	2,387,592	1,363,346
$ 14,229,824	$ 14,612,982	$ 16,841,677	$ 18,798,053	$ 18,791,823	$ 19,074,466
$ 24,451,151	$ 36,543,533	$ 44,851,430	$ 33,712,573	$ 45,710,527	$ 40,325,744

Town of Little Elm, Texas
Changes in Net Position – Continued
Last Ten Fiscal Years (Unaudited)
(Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
Net (Expenses) Revenue				
Governmental activities	$ (9,986,062)	$ (9,572,151)	$ (11,017,252)	$ (10,675,132)
Business-type activities	219,669	1,765,693	2,317,110	3,446,888
Total primary government net expenses	$ (9,766,393)	$ (7,806,458)	$ (8,700,142)	$ (7,228,244)
General Revenues and other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	$ 7,563,027	$ 8,828,874	$ 9,668,429	$ 10,195,279
Sales & Other taxes	3,199,197	2,904,368	3,221,191	3,438,665
Unrestricted investment earnings	539,838	334,206	388,935	271,988
Gains on sale of assets	-	-	31,158	-
Miscellaneous	1,614,934	1,148,956	561,919	1,329,395
Transfers	897,379	1,017,564	1,329,648	1,238,953
Total governmental activities	$ 13,814,375	$ 14,233,968	$ 15,201,280	$ 16,474,280
Business-type activities:				
Taxes	$ -	$ -	$ -	$ 56,342
Unrestricted investment earnings	288,977	455,159	333,428	150,655
Gains on sale of assets	-	-	-	-
Miscellaneous	596,409	307,312	566,639	758,399
Transfers	(867,379)	(981,564)	(1,070,443)	(1,238,953)
Total business-type activities	$ 18,007	$ (219,093)	$ (170,376)	$ (273,557)
Total primary government	$ 13,832,382	$ 14,014,875	$ 15,030,904	$ 16,200,723
Change in Net Position				
Governmental activities	$ 3,828,313	$ 4,661,817	$ 4,184,028	$ 5,799,148
Business-type activities	237,676	1,546,600	2,146,734	3,173,331
Total primary government	$ 4,065,989	$ 6,208,417	$ 6,330,762	$ 8,972,479

Source: Comprehensive Annual Financial Report

Notes: [a] General Revenue classifications modified.

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ (10,271,123)	$ (5,073,472)	$ (2,625,299)	$ (17,250,652)	$ (14,627,613)	$ (13,443,361)
4,110,713	3,846,587	5,839,580	7,467,974	4,180,673	4,098,372
$ (6,160,410)	$ (1,226,885)	$ 3,214,281	$ (9,782,678)	$ (10,446,940)	$ (9,344,989)
$ 10,662,787	$ 10,864,585	$ 11,851,416	$ 14,089,672	16,052,346	18,817,352
4,039,591	4,506,310	4,843,855	5,641,075	6,136,073	6,437,432
199,751	136,752	156,577	155,456	222,445	291,461
-	9,330	18,171	23,500	252,717	19,709
464,013	513,343	1,158,653	1,322,492	629,343	2,326,196
1,815,196	1,551,460	1,697,504	474,640	2,042,935	2,297,150
$ 17,181,338	$ 17,581,780	$ 19,726,176	$ 21,706,835	$ 25,335,859	$ 30,189,300
$ 82,977	$ 92,009	$ 106,872	$ 119,560	110,588	114,365
139,604	96,344	44,010	29,969	75,463	151,282
-	9,343	7,214	-	-	21,711
-	-	-	-	-	42,383
(1,815,196)	(1,551,460)	(1,697,504)	(474,640)	(2,042,935)	(2,297,150)
$ (1,592,615)	$ (1,353,764)	$ (1,539,408)	$ (325,111)	$ (1,856,884)	$ (1,967,409)
$ 15,588,723	$ 16,228,016	$ 18,186,768	$ 21,381,724	$ 23,478,975	$ 28,221,891
$ 6,910,215	$ 12,508,308	$ 17,100,877	$ 4,456,183	$ 10,708,246	$ 16,745,939
2,518,098	2,492,823	4,300,172	7,142,863	2,323,789	2,130,963
$ 9,428,313	$ 15,001,131	$ 21,401,049	$ 11,599,046	$ 13,032,035	$ 18,876,902

Town of Little Elm, Texas
Fund Balances, Governmental Funds
Last Ten Fiscal Years (Unaudited)
(Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011 [b]
General Fund				
Reserved [a]	$ 2,020,133	$ 26,117	$ 35,410	$ -
Nonspendable [a]	-	-	-	48,944
Restricted	-	-	-	-
Committed	-	-	-	3,326,289
Assigned	-	-	-	1,519,500
Unassigned	-	-	-	943,210
Unreserved, designated for	-	-	-	-
Unbudgeted expenditures	-	1,153,325	1,662,286	-
Unreserved, undesignated	5,398,287	3,086,147	3,309,224	-
Total general fund	$ 7,418,420	$ 4,265,589	$ 5,006,920	$ 5,837,943
All Other Governmental Funds				
Reserved for:				
Debt service	$ -	$ -	$ -	$ -
Nonspendable [a]	-	-	-	
Restricted	-	-	-	14,255,397
Committed	-	-	-	702,364
Assigned	-	-	-	-
Unassigned	-	-	-	(42,361)
Unreserved, reported in:	-	-	-	-
Special revenue funds	227,961	759,750	544,399	-
Debt service	218,843	226,226	301,863	-
Capital projects funds	5,614,493	19,196,982	25,980,408	-
Total all other governmental funds	$ 6,061,297	$ 20,182,958	$ 26,826,670	$ 14,915,400

Source: Comprehensive Annual Financial Report

Notes: [a] Includes inventory and prepaid

[b] The Town implemented GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which impacted both the classifications of funds and classifications of and balances within funds.

Fiscal Year						
2012	2013	2014	2015	2016	2017	
$ -	$ -	$ -	$ -	$ -	$ -	
56,704	274,054	200,487	265,038	299,425	313,699	
221,155	-	-	-	-	-	
-	-	-	-	-	-	
693,600	925,000	4,938,437	-	-	-	
6,130,718	5,751,731	3,312,912	6,700,923	11,028,718	15,660,796	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
$ 7,102,177	$ 6,950,785	$ 8,451,836	$ 6,965,961	$ 11,328,143	$ 15,974,495	

$ -	$ -	$ -	$ -	$ -	$ -
150	150	6,302	-	123,522	-
4,346,848	8,113,910	17,979,664	10,883,984	17,206,729	11,292,937
1,273,852	620,602	241,487	1,644,874	1,153,748	409,582
-	-	-	-	-	-
-	-	-	-	-	(6,306)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 5,620,850	$ 8,734,662	$ 18,227,453	$ 12,528,858	$ 18,483,999	$ 11,696,213

Town of Little Elm, Texas

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years (Unaudited)
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
REVENUES				
Property taxes, penalties and interest	$ 7,678,109	$ 8,717,659	$ 9,613,969	$ 10,246,572
Sales tax	1,814,759	1,787,109	1,959,630	2,125,984
Franchise and other taxes	1,395,846	1,117,259	1,261,561	1,312,681
Licenses and permits	1,264,387	966,645	1,419,336	1,629,588
Charges for services	2,268,637	535,005	598,873	662,181
Impact fees	-	-	-	-
Fines and forfeitures	898,538	288,748	526,084	698,289
Intergovernmental revenue and grants	312,709	4,702,445	4,887,144	4,219,559
Contributions	-	-	-	-
Interest earnings	539,838	361,633	388,935	271,988
Other revenue	266,466	1,108,938	812,000	1,153,103
Total revenues	16,439,289	19,585,441	21,467,532	22,319,945
EXPENDITURES				
General government	2,410,803	2,160,346	2,321,233	2,317,911
Public safety	5,527,997	6,041,672	6,455,094	6,865,071
Public works	3,530,078	1,447,644	2,123,823	2,658,522
Culture and recreation	951,798	1,230,166	1,322,676	1,307,687
Community services	-	1,062,917	1,278,090	1,364,740
Capital outlay	5,686,126	6,593,015	8,041,519	16,817,298
Debt service				
Principal retirement	1,132,700	1,185,222	1,489,211	1,537,070
Interest and fiscal charges	921,717	874,526	1,514,543	1,770,846
Other debt service costs	-	-	-	-
Total expenditures	20,161,219	20,595,508	24,546,189	34,639,145
Excess (deficiency) of revenues over (under) expenditures	(3,721,930)	(1,010,067)	(3,078,657)	(12,319,200)
OTHER FINANCING SOURCES (USES)				
Bonds/notes issued	-	12,500,000	9,353,007	-
Proceeds from sale of capital assets	-	-	-	-
Proceeds from capital lease obligations	342,168	-	-	-
	-	-	-	-
Developer fees and contributions	1,240,467	-	-	-
Premium on bonds issued	30,000	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfer from other funds	1,837,105	3,127,865	1,535,132	4,160,575
Transfer to other funds	(969,725)	(2,110,301)	(424,439)	(2,921,622)
Total other financing sources (uses)	2,480,015	13,517,564	10,463,700	1,238,953
NET CHANGE IN FUND BALANCES	$ (1,241,915)	$ 12,507,497	$ 7,385,043	$ (11,080,247)
Debt service as a percentage of noncapital expenditures	14.2%	14.7%	18.2%	18.6%

Source: Comprehensive Annual Financial Report

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 10,459,636	$ 10,968,977	$ 11,819,118	$ 13,912,222	$ 16,210,647	$ 18,796,064
2,369,358	2,775,736	2,987,162	3,540,489	4,010,218	4,303,543
1,670,233	1,730,574	1,856,693	2,100,586	2,065,392	2,133,889
2,386,244	2,280,136	3,814,451	4,009,517	5,161,638	4,743,132
1,227,622	1,521,394	1,884,181	2,765,194	3,098,936	3,982,077
1,555,857	1,274,372	514,220	1,722,581	499,168	754,659
628,399	667,479	589,772	886,617	856,897	1,055,079
2,996,983	2,055,690	1,365,490	2,630,400	2,252,406	4,365,912
5,500	-	18,756,088	1,254,495	3,900,214	3,408,072
199,751	136,281	154,060	131,666	209,291	272,668
1,312,349	1,134,249	1,310,971	764,579	726,869	813,755
24,811,932	24,544,888	45,052,206	33,718,346	38,991,676	44,628,850
2,501,809	5,662,076	3,459,553	5,795,226	4,009,920	4,273,199
7,577,815	8,185,886	9,454,244	10,668,379	11,425,793	13,861,595
1,766,131	2,417,222	2,794,991	3,225,270	4,141,315	3,179,415
1,533,497	2,211,489	2,639,344	2,947,604	3,177,221	3,574,826
1,261,237	1,604,716	1,910,740	2,408,167	2,917,957	2,563,865
17,189,209	8,758,950	12,815,066	14,197,333	10,029,564	17,686,821
1,671,146	1,837,728	2,097,789	2,499,432	2,825,254	3,291,897
1,609,606	1,649,588	3,579,358	1,654,972	1,865,298	1,784,447
-	-	-	-	597,105	-
35,110,450	32,327,655	38,751,085	43,396,383	40,989,427	50,216,065
(10,298,518)	(7,782,767)	6,301,121	(9,678,037)	(1,997,751)	(5,587,215)
3,885,000	8,735,000	5,020,000	1,990,000	16,380,000	
-	509,233	18,171	23,500	252,717	31,663
386,487	-	144,913	104,957	-	
-	-	-	-	-	1,016,343
-	-	-	-	-	-
180,716	143,094	235,610	-	787,923	-
(3,999,197)	-	(2,190,000)	-	(7,148,501)	-
3,523,887	3,035,883	2,556,084	4,209,821	2,743,996	4,421,619
(1,708,691)	(1,678,023)	(1,092,057)	(3,834,711)	(701,061)	(2,124,469)
2,268,202	10,745,187	4,692,721	2,493,567	12,315,074	3,345,156
$ (8,030,316)	$ 2,962,420	$ 10,993,842	$ (7,184,470)	$ 10,317,323	$ (2,242,059)
18.2%	14.8%	20.7%	13.6%	14.1%	15.7%

Town of Little Elm, Texas **Table B-1**

Appraised Value of Property
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Market Valuation: Real Property	Market Valuation: Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2008	$ 1,511,223,287	$ 36,738,700	$ 140,574,678	$ 1,407,387,309	0.53580
2009	1,634,323,354	52,518,511	166,456,684	1,520,385,181	0.56996
2010	1,611,491,597	54,925,483	169,295,917	1,497,121,163	0.63449
2011	1,618,970,465	55,366,141	169,498,939	1,504,837,667	0.66523
2012	1,691,659,713	55,542,364	175,488,594	1,571,713,483	0.66497
2013	1,661,535,865	64,223,721	181,089,163	1,544,670,423	0.66497
2014	1,811,983,598	70,371,887	199,149,794	1,683,205,691	0.66497
2015	2,107,295,778	71,348,481	226,256,365	1,952,387,894	0.66497
2016	2,653,573,290	82,618,591	312,314,526	2,423,877,355	0.66169
2017	3,124,111,734	81,122,761	339,178,385	2,866,056,110	0.66169

Source: Denton County Appraisal District

Town of Little Elm, Texas **Table B-2**

Direct and Overlapping Property Tax Rates (Per $100 of Assessed Value)
Last Ten Fiscal Years (Unaudited)

	Town Direct Rates			Overlapping Rates [a]		
Fiscal Year	Operating Rate	Debt Service Rate	Total Town Rate	Little Elm Independent School District	Denton County	Total Direct and Overlapping Rates
2008	0.39625	0.13955	0.53580	1.46000	0.23589	2.23169
2009	0.44636	0.12360	0.56996	1.53000	0.23577	2.33573
2010	0.46218	0.17231	0.63449	1.54000	0.24980	2.42429
2011	0.45279	0.21244	0.66523	1.54000	0.27390	2.47913
2012	0.46691	0.19807	0.66497	1.54000	0.27736	2.48234
2013	0.48129	0.18369	0.66497	1.54000	0.28287	2.48785
2014	0.49665	0.16833	0.66497	1.54000	0.28491	2.48989
2015	0.47715	0.18782	0.66497	1.54000	0.27220	2.47717
2016	0.47760	0.18409	0.66169	1.54000	0.26220	2.46389
2017	0.49573	0.18596	0.66169	1.54000	0.26200	2.46369

[a] - Overlapping rates are those of local and county governments that apply to property owners within the Town of Little Elm. A typical property tax bill would consist of the Town, School District, and County taxes.

Source: Town of Little Elm, Denton County and Little Elm ISD

Note: Tax rates are applied on each $100 of assessed value and are levied on 100% of assessed value.

Town of Little Elm, Texas **Table B-3**

Principal Property Tax Payers

Current Year and Nine Years Ago (Unaudited)

FY 2016-2017

(2016 Certified Tax Roll)

Taxpayer	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value
Western Rim Investors 2011-5 LP	$ 64,156,206	2.24%
Orion Lakeside LLC	58,200,000	2.03%
Bell Fund VI Frisco LLC	47,262,500	1.65%
Towers Property Holdings LLC	37,332,019	1.30%
LETC Dunhill LLC	29,384,233	1.03%
GCRE/TX Main MF LLC	19,000,000	0.66%
Eldorado Village LLC	17,755,150	0.62%
Retractable Technologies INC	17,608,283	0.61%
HOLT Texas Properties	15,633,647	0.55%
Rosebriar Little Elm LP	14,951,316	0.52%
Total	$ 321,283,354	11.21%
Total Assessed Valuation	$ 2,866,056,110	100.00%

FY 2007-2008

(2007 Certified Tax Roll)

Taxpayer	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value
Lennar Homes of TX	$ 12,647,692	0.90%
Lowes Home Centers INC	12,134,438	0.86%
Retractable Technologies INC	9,931,344	0.71%
NWC FM 423 & Eldorado Prkwy, Ltd.	8,493,208	0.60%
CMH Parks Inc.	7,896,908	0.56%
KBL Partners LTD	6,117,064	0.43%
Village at Eldorado / CMC LP	6,044,096	0.43%
Coserv Electric Co-Op	6,029,100	0.43%
Brighton King LLC & KEV King LLC	5,895,735	0.42%
Centex Homes	5,742,808	0.41%
Total	$ 80,932,393	5.75%
Total Assessed Valuation	$ 1,407,387,309	100.00%

Source: Denton Central Appraisal District.

Note: Property is assessed as of January 1 and certified to the town by July 25 for taxable values

Town of Little Elm, Texas **Table B-4**
Property Tax Levies and Collections
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	$ 7,499,616	$ 7,395,195	98.61%	$ 99,570	$ 7,494,765	99.94%
2009	8,604,462	8,506,674	98.86%	92,570	8,599,244	99.94%
2010	9,517,069	9,303,185	97.75%	142,800	9,445,985	99.25%
2011	10,016,680	9,858,712	98.42%	80,856	9,939,568	99.23%
2012	10,454,444	10,279,526	98.33%	104,290	10,383,816	99.32%
2013	10,651,248	10,514,194	98.71%	60,260	10,574,454	99.28%
2014	11,780,687	11,648,622	98.88%	45,687	11,694,309	99.27%
2015	13,629,127	13,581,388	99.65%	-	13,581,388	99.65%
2016	15,848,795	15,812,201	99.77%	-	15,812,201	99.77%
2017	18,694,955	18,616,309	99.58%	-	18,616,309	99.58%

Source: Denton Central Appraisal District

Town of Little Elm, Texas **Table B-5**

Municipal Sales Tax and Ratio to Ad Valorem Tax Levy
And Ad Valorem Tax Rate
Last Ten Years (Unaudited)

The Town has adopted the provisions of Chapter 321, as amended, Texas Tax Code (the "Municipal Sales and Use Tax Act") which provides for the maximum levy of a one percent sales tax which may be used for any lawful purpose except that the sales tax revenue may not be pledged to the payment of debt. The voters of the Town approved a 1/2% sales tax for the benefit of economic development on January 16, 1993, with collections beginning June 1993. The voters of the Town approved a 1/4% sales tax for street maintenance on May 7, 2005, with collections beginning October 6, 2005. The voters of the Town approved a 1/4% sales tax for 4B community development purposes on May 12, 2007, with collections beginning October 1, 2007. **Net** collections on a **fiscal year** basis are shown below:

Fiscal Year Ended Sept 30		Total Collected	1¼% [a] City	% of Ad Valorem Tax Levy	($) Equivalent of Ad Valorem Tax Rate	0.50% 4A EDC	0.25% 4B CDC
2008	[b]	$ 2,877,072	$ 1,814,759	22.41%	0.12006	$ 726,203	$ 336,110
2009		2,873,899	1,787,100	21.05%	0.11998	724,533	362,266
2010	[c]	3,126,064	1,947,430	20.26%	0.12852	785,756	392,878
2011		3,392,058	2,111,001	21.29%	0.14165	854,038	427,019
2012		3,861,036	2,413,148	24.09%	0.16026	965,259	482,630
2013		4,479,710	2,799,819	26.78%	0.17809	1,119,927	559,964
2014		4,810,546	3,006,591	28.23%	0.18771	1,202,636	601,318
2015		5,705,401	3,565,876	30.27%	0.20128	1,426,350	713,175
2016		6,962,498	4,351,561	27.46%	0.18168	1,740,625	870,312
2017		7,242,129	4,526,330	24.21%	0.16020	1,810,532	905,266

[a] The Town's portion of the sales tax collections increased from 1% to 1¼% beginning October 1, 2005 as the result of the May 2005 authorization for an additional ¼% for street maintenance.

[b] Collections include the 0.25% 4B CDC collections.

[c] The Town has entered into a Limited Partnership Agreement (LPA) with Denton County Fresh Water District 8c & 8b for sharing sales tax in the Extraterritorial Jursidication (ETJ).

Source: Texas Comptroller of Public Affairs Website (http://www.window.state.tx.us/taxinfo/sales)

Town of Little Elm, Texas **Table C-1**

Ratio of Outstanding Bonded Debt by Type
Last Ten Fiscal Years (Unaudited)

	Governmental Activities			Business-Type Activities						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Other Obligations[a]	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Other Obligations[a]	Total Primary Government	Percentage of Personal Income[b]	Per Capita[b]
2008	$ 13,350,000	$ 5,513,450	$ 1,113,569	$ 7,820,000	$ -	$ 6,676,550	$ -	$ 34,473,569	6.85%	1,521
2009	22,885,000	7,749,300	657,496	11,670,000	-	18,760,700	-	61,722,496	11.31%	2,572
2010	31,684,000	6,980,000	273,586	11,225,000	2,106,000	16,500,000	270,000	69,038,586	10.92%	2,666
2011	30,679,400	6,630,000	90,000	10,755,000	1,950,600	16,500,000	270,000	66,875,000	9.91%	2,492
2012	33,348,254	2,260,000	321,018	6,740,000	4,866,746	22,340,000	125,000	70,001,018	9.52%	2,428
2013	34,335,527	8,170,000	202,689	3,055,000	7,504,473	21,890,000	-	75,157,689	8.11%	2,144
2014	32,307,738	10,930,000	175,177	-	9,407,262	21,060,000	-	73,880,177	8.23%	2,291
2015	31,043,926	10,563,955	2,032,096	-	9,044,162	20,400,854	-	73,084,993	8.14%	2,266
2016	29,061,169	19,953,985	1,602,905	-	8,806,563	27,364,862	-	86,789,484	9.13%	2,565
2017	26,856,884	19,095,902	1,222,932	-	21,626,986	24,995,585	-	93,798,289	6.78%	2,456

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[a]Includes Tax Notes and Capital Leases

[b]See Table D-1 for personal income and population data.

Town of Little Elm, Texas **Table C-2**

Ratio Of Net General Bonded Debt To Assessed Value
And Net Value Bonded Debt Per Capita
Last Ten Fiscal Years (Unaudited)

	General Bonded Debt Outstanding [c]						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Total	Less: Available Debt Service Funds	Net General Bonded Debt	Percentage of Actual Taxable Value of Property [a]	Per Capita [b]
2008	$ 13,350,000	$ 5,513,450	$ 18,863,450	$ -	$ 18,863,450	1.34%	832
2009	22,885,000	7,749,300	30,634,300	-	30,634,300	2.01%	1,276
2010	31,684,000	6,980,000	38,664,000	-	38,664,000	2.58%	1,493
2011	30,679,400	6,630,000	37,309,400	451,192	36,858,208	2.49%	1,373
2012	38,215,000	2,260,000	40,475,000	554,894	39,920,106	2.54%	1,384
2013	41,840,000	8,170,000	50,010,000	567,931	49,442,069	3.20%	1,410
2014	41,715,000	10,930,000	52,645,000	367,338	52,277,662	3.11%	1,621
2015	39,005,000	10,450,000	49,455,000	1,005,376	48,449,624	2.48%	1,432
2016	37,867,732	19,953,985	57,821,716	453,186	57,368,530	2.06%	1,431
2017	48,483,870	19,095,902	67,579,773	717,067	66,862,705	2.33%	1,751

Notes: Details regarding the town's outstanding debt can be found in the notes to the financial statements.

[a] See Table B-1 for property value data.

[b] See Table D-1 for population data.

[c] This does not include Certificates of Obligations from Business-Type Activities. See Table C-1 for Business-Type Activities revenue based ratios.

Town of Little Elm, Texas **Table C-3**

Direct and Overlapping Debt

As of September 30, 2016 (Unaudited)

Governmental Unit	As of	Bonded Debt Principal	Percentage of Debt Applicable to Area [d]	Town of Little Elm Share of Overlapping Debt [c]
Debt repaid with property taxes				
Frisco I.S.D.	Sep-17	$ 1,967,577,369	3.15%	$ 61,978,687
Little Elm I.S.D.	Sep-17	149,799,189	50.62%	75,828,349
Denton County	Sep-17	645,305,000	3.33%	21,488,657
Subtotal, overlapping debt		$ 2,762,681,558		159,295,693
Town of Little Elm Direct Debt [a]	Sep-17	$ 47,175,718	100.00%	47,175,718
Total direct and overlapping debt				$ 206,471,411
Ratio of direct and overlapping debt principal to taxable values [b]				7.20%
Ratio of direct and overlapping debt principal to actual market values [b]				6.44%

Source: Municipal Advisory Council of Texas

Notes: [a] Includes Governmental Activities debt

[b] See Table B-1 for property value data.

[c] Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Little Elm, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

[d] The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the various government's taxable assessed value that is within the government's boundaries and dividing it by the total taxable assessed value.

Town of Little Elm, Texas **Table C-4**

Legal Debt Margin Information
Last Ten Years (Unaudited)

The Town of Little Elm, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to $2.50 per $100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the Town's tax margin for the previous ten years was:

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Maximum Rate	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Total Tax Rate	0.5358	0.5700	0.6345	0.6652	0.6650	0.6650	0.6650	0.6650	0.6617	0.6617
Legal Debt Margin	$ 1.9642	$ 1.9300	$ 1.8655	$ 1.8348	$ 1.8350	$ 1.8350	$ 1.8350	$ 1.8350	$ 1.8350	$ 1.8350

Town of Little Elm, Texas **Table C-5**

Pledged-Revenue Coverage
Last Ten Fiscal Years (Unaudited)

	Water and Sewer System Revenue Bonds				
Fiscal Year	Total Revenues[a]	Less: Operating Expenses[b]	Net Available Revenue	Annual Requirement[c]	Times Coverage
2008	$ 7,041,071	$ 5,862,757	$ 1,178,314	$ 1,400,696	0.84
2009	9,326,523	5,725,257	3,601,266	1,009,520	3.57
2010	9,654,239	4,778,442	4,875,797	1,399,923	3.48
2011	10,650,297	5,045,588	5,604,709	2,737,299	2.05
2012	11,319,089	5,495,379	5,823,710	1,283,032	4.54
2013	12,194,625	5,889,534	6,305,091	1,558,701	4.05
2014	12,908,682	6,275,068	6,633,614	1,645,568	4.03
2015	16,645,367	6,469,613	10,175,754	1,694,747	6.00
2016	16,834,616	8,068,474	8,766,142	1,943,104	4.51
2017	16,956,054	9,154,302	7,801,752	2,556,461	3.05

Notes: [a]Includes operating and non-operating revenues.

[b]Includes operating expenses minus depreciation.

[c]Includes annual debt service requirements for all bonds paid from system revenues

Town of Little Elm, Texas **Table D-1**

Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Year	Estimated Population[a]	Personal Income	Per Capita Personal Income[b]	School Enrollment[c]	Unemployment Rate[d]
				Little Elm ISD	Denton County
2008	22,668	$ 503,252,268	$ 22,201	5,371	5.1%
2009	24,000	545,736,000	22,739	5,855	7.2%
2010	25,898	632,377,364	24,418	6,044	7.5%
2011	26,840	674,999,160	25,149	6,245	7.1%
2012	28,835	735,407,840	25,504	6,344	6.3%
2013	35,059	926,188,662	26,418	6,606	5.5%
2014	32,248	897,558,584	27,833	6,910	4.5%
2015	33,842	950,418,728	28,084	7,193	3.4%
2016	34,955	1,030,193,760	29,472	7,354	3.3%
2017	38,194	1,384,074,172	36,238	7,371	4.1%

Sources: [a]Estimated population provided North Central Texas Council of Governments

[b]Per Capita Income provided by Census.gov

[c]Little Elm Independent School Districts.

[d]Federal Deposit Insurance Corporation, FDIC.gov

Note: Personal income is calculated by multiplying estimated population by per capita personal income

Town of Little Elm, Texas **Table D-2**

Principal Employers

Current Year and Nine Years Ago (Unaudited)

2017

Employer	Employees	Percentage of Total City Employment
Little Elm ISD	848	22.32%
Kroger	257	6.76%
Town of Little Elm	235	6.18%
Hula Hut	142	3.74%
Retractable Technologies	157	4.13%
Lowes Home Center	134	3.53%
Applebee's	70	1.84%
Holt	52	1.37%
24 Hour Fitness	36	0.95%
Hobby Lobby	32	0.84%
Total	1,963	51.66%
Total Little Elm Daytime Employees	3,800	

2008

Employer	Employees	Percentage of Total City Employment
Little Elm ISD	645	19.82%
Retractable Technologies	160	4.92%
Town of Little Elm	158	4.86%
Lowes Home Center	125	3.84%
Sonic Drive-in	45	1.38%
Independent Bank	20	0.61%
Hobby Lobby	20	0.61%
Key's Supermarket	16	0.49%
Network Distribution Int.	15	0.46%
Javelina	10	0.31%
	1,214	37.31%
Total Little Elm Daytime Employees	3,254	

Source: Top ten employers and employee count provided by Little Elm Economic Development Corporation.

Town of Little Elm, Texas **Table E-1**

Full-Time Equivalent Government Employees by Function/Program
Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	14.50	15.00	15.00	16.00	15.50	21.00	19.50	19.00	19.00	21.00
Public Safety	69.00	74.00	75.00	76.00	80.00	85.50	90.00	95.50	111.50	112.50
Public Works	13.00	16.00	18.00	20.00	22.00	21.00	18.50	20.00	19.50	14.50
Culture and Recreational	21.00	24.50	24.00	21.00	29.50	31.50	32.50	35.00	37.50	40.50
Planning and Development	10.50	11.00	8.00	7.00	13.00	10.00	15.00	15.00	14.00	19.00
Water and Sewer	29.00	30.00	26.00	30.00	23.50	27.00	30.00	29.00	29.00	28.00
Total	157.00	170.50	166.00	170.00	183.50	196.00	205.50	213.50	230.50	235.50

Source: Town Departments

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Town of Little Elm, Texas
Operating Indicators by Function/Program
Last Nine Fiscal Years (Unaudited)

	Fiscal Year			
Function/Program	2008	2009	2010	2011
Public Safety				
Police				
Number of employees [b]	34	38	34	36
Number of violations (citations)	8,198	5,396	5,200	4,198
Fire				
Number of employees [b]	32	35	36	37
Number of volunteers	9	9	2	5
Number of fire runs	725	746	954	980
Number of EMS runs	1,207	1,278	1,195	1,369
Public Works				
Streets (miles)	108	108	108	108
Community Services				
Residential permits	242	283	434	488
Commercial permits	12	20	34	49
Cultural and Recreational				
Parks and recreation				
Park maintain & operate per acre	400	500	500	500
Participants in parks programs	425	2,500	2,650	3,500
Participants in senior program	100	150	200	300
Participants at Recreation Center	N/A	N/A	N/A	N/A
Library				
Volumes in Collection	28,908	32,905	37,096	32,329
Circulation	36,012	41,526	37,850	35,081
Water and Sewer				
Number of water connections	8,035	8,204	8,368	8,712
Number of sewer connections	7,594	7,792	8,067	8,399
Average daily water consumption [c]	2,650	2,230	2,266	2,726
Maximum ground storage capacity [c]	7,000	7,000	7,000	7,000
Maximum elevated storage capacity [c]	1,500	1,500	1,500	1,500
Water purchased [c]	857,694	888,950	899,844	1,080,672

Source: Town Departments

Notes:

N/A - Data not Available

[b] Department Administration and EMS Staff included

[c] Stated in millions of gallons

Fiscal Year					
2012	2013	2014	2015	2016	2017
41	44	44	49	52	58
3,974	4,434	4,306	5,332	4,617	4,744
40	42	47	45	55	54
1	0	3	10	10	7
888	1,011	992	1,112	1,287	1,327
1,327	1,437	1,732	1,714	1,940	2,191
108	108	108	131	138	138
588	737	860	1034	1154	1047
47	59	62	68	76	91
500	500	500	500	500	500
3,800	22,700	50,000	65,000	75,980	77,000
320	1,020	11,577	14,769	18,304	24,864
N/A	30,400	45,316	47,690	53,632	77,679
37,785	45,538	45,187	47,531	77,928	81,380
69,114	92,684	136,765	124,470	126,326	126,092
8,963	9,257	9,835	9,880	10,370	10,680
8,636	8,927	9,489	9,531	9,983	10,272
2,547	2,710	3,110	3,164	3,201	3,253
7,000	7,000	7,170	10,169	7,170	7,170
1,500	1,500	3,575	3,575	3,575	3,578
1,160,174	1,161,074	1,134,837	1,127,728	1,235,350	1,235,350

Town of Little Elm, Texas **Table E-3**

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	13	16	16	16	16	16	17	19	25	30
Fire Stations	2	2	2	2	2	2	2	2	2	2
Police Motorcycle Units	2	2	2	2	2	2	2	2	2	2
Public Works										
Streets-Paved	108	108	108	108	108	108	108	131	138	138
Cultural and Recreational										
Parks (acres)	400	500	500	500	500	500	500	500	500	500
Playgrounds[a]	5	5	5	5	5	4	4	5	5	5
Library	1	1	1	1	1	1	1	1	1	1
Senior Center	0	0	0	0	1	1	1	1	1	1
Recreation Center	0	0	0	0	1	1	1	1	1	1
Water and Sewer										
Fire Hydrants	902	908	1,063	1,070	1,206	1,216	1,256	1,270	1,270	1431
Ground Storage Facilities	6	6	4	4	4	4	4	4	4	4
Elevated Storage Facilities	2	2	2	2	2	2	4	4	4	4
Lift Stations	18	18	17	16	17	17	18	19	20	20

Source: Town Departments

Notes: [a] Does not include HOA playgrounds